SUPREME COURT, U.

TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1963

No. 75

ARO MANUFACTURING CO., INC., ET AL.,
PETITIONERS,

vs.

CONVERTIBLE TOP REPLACEMENT CO., INC.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS
FOR THE FIRST CIRCUIT

PETITION FOR CERTIORARI FILED FEBRUARY 15, 1963
CERTIORARI GRANTED APRIL 1, 1963

page

Proceedings in the United States Court of Appeals for the First Circuit

Appellant's appendix to brief consisting of portions of record from United States District Court for the District of Massachusetts in No. 5991 1

Judgment 1

Amended judgment 2

Appellees' appendix to brief consisting of portions of record from United States District Court for the District of Massachusetts in No. 5991 5

INDEX

	Page
Docket entries	5
Defendants' Answer paragraphs alleging misuse	10
Defendants' interrogatories 1-4, 6, 8, 10 and 12	12
Plaintiff's answers to above	13
Plaintiff's answers to defendants' requests for admissions 29 and 33	15
Defendants' request for admission 58	16
Defendants' exhibit accompany the above, letter dated August 28, 1956 to Howard Zink Corp. from Moore & Hall	17
Plaintiff's answer to request for admission 58	18
Deposition of Richard S. Wright, July 2, 1958	18
Deposition of William D. Hall, July 3, 1958	21
Stenographic transcript of trial:	
Introduction of Exhibits 9A-9D and William D. Hall deposition by plaintiff and Wright deposition exhibits by defendants	26
Plaintiff's Accounting Exhibit 1, stipulation re acquisition of additional patent rights and license agreements with certain sellers of replacement fabrics	26
Defendants' accounting interrogatories 1-9	29
Plaintiff's Accounting Exhibit 2, stipulation re testimony of William D. Hall	31
Plaintiff's motion to file supplemental pleading	33
Plaintiff's supplemental pleading alleging acquisition of rights in patent to the rest of the United States	34
Plaintiff's motion for entry of injunction to restrain defendants from selling certain replacement fabrics	35
Plaintiff's answers to defendants' interrogatories 1-9	36
Memorandum denying plaintiff's motions ot supplement pleadings and for entry of injunction	38

Page

Defendants' Accounting Exhibit 4-B, release and license agreement between Automobile Body Research Corp. and Faulkner Mfg. Co. of Massachusetts dated April 1, 1959 40

Hearings before William R. Hulbert, Special Master:
Plaintiff's opening statement 49
Defendants' introduction of certain exhibits 54
Plaintiff's cross-examination of Harold Shapiro ... 55

Transcript of hearing re staying accounting, April 11, 1960 56

Supreme Court Brief for Respondent 57

Brief for Respondent in Support of Petition for a Limited Rehearing, or for Amendment or Clarification of the Court's Opinion 57

Plaintiff's memorandum opposing defendants' motion for order to post bond setting forth plaintiff's financial condition 58

Letter to Judge Julian from plaintiff's counsel, October 17, 1961 60

Plaintiff's memorandum opposing amendment of judgment and proposing findings of fact and conclusions of law 61

Defendants' reply to above memorandum 62

Plaintiff's letter to Judge Julian dated November 8, 1961 64

	Original	Print
Appellant's appendix to brief consisting of portions of record from United States District Court for the District of Massachusetts in No. 5993	67	67
Relevant docket entry	67	67
Defendants' answer	67	67
Hearing before Special Master	67	67
Motion for entry of judgment	69	69
Judgment	69	69
Notice of cross-appeal	70	70
Appellees' appendix to brief consisting of portions of record from United States District Court for the District of Massachusetts in No. 5993	71	71
Questions presented	71	71
Joint motion	72	72
Order allowing	73	72
Clerk's memorandum	73	72
Motion to strike	75	73
Order denying motion to strike	81	77
Minute entry of argument	81	77
Opinion, Woodbury, Ch. J.	83	78
Judgment	95	88
Clerk's certificate (omitted in printing)	96	89
Excerpt of opinion of the Court, dated August 31, 1959 in Aro Manufacturing Co. v. Convertible Top Replacement Co., No. 5488	97	89
Additional portions of record from United States District Court for the District of Massachusetts	99	90
Deposition, Richard S. Wright (excerpts)	99	90
Deposition, William D. Hall (excerpts)	102	91
Order allowing certiorari	110	94

APPENDIX

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MASSACHUSETTS

Civil Action No. 56-357-J

CONVERTIBLE TOP REPLACEMENT CO., INC.

v.

ARO MANUFACTURING CO., INC., ET AL.

Judgment

August 29, 1961

JULIAN, D. J.

This cause came on to be heard on the defendants' motion for entry of judgment after the issuance of the mandate of the Supreme Court of the United States on April 20, 1961. Counsel for the plaintiff and for the defendants submitted memoranda respectively in opposition to and in support of the motion. Upon consideration thereof it is

ORDERED, ADJUDGED and DECREED as follows:

1) That U. S. Letters Patent No. 2,569,724, issued October 2, 1951, to Harry A. Mackie and Stanley Duluk for "Convertible Folding Top with Automatic Seal at Rear Quarter," hereinafter called the Mackie-Duluk patent, is good and valid in law as to claims 3, 4, 5, 7, 8, 9 and 10 thereof;

2) That the plaintiff, Convertible Top Replacement Co., Inc., is, by virtue of a territorial grant, possessed of the right, title and interest in and to said Mackie-Duluk patent for, to and in the Commonwealth of Massachusetts;

3) That the defendants, comprising the corporate defendant Aro Manufacturing Co., Inc., and the defendants Mae Shapiro, George Shapiro, Marshall Shapiro, Harold R. Shapiro and John Raymond Hamlin, individually and as a co-partnership doing business as Aro Top Sales Com-

pany, have not either directly or contributorily infringed claims 3, 4, 5, 7, 8, 9 and 10 of the said Mackie-Duluk patent or any of said claims;

4) That the plaintiff's complaint as amended be and it is hereby dismissed;

5) That the defendants recover from the plaintiff the costs of the action taxed at $

6) That the defendants' counterclaim be and it is hereby dismissed without costs.

By the Court,
s/ FRANCES R. FOLEY

s/ ANTHONY JULIAN
United States District Judge

Judgment entered August 29, 1961.

Amended Judgment
February 16, 1962

JULIAN, D. J.

This cause came on to be heard on the defendants' motion to amend the judgment entered on August 29, 1961, and was argued by counsel. Upon consideration thereof, so much of the motion as seeks to strike out paragraph 1) of the judgment and to amend paragraph 6) thereof is hereby granted. Paragraph 3 of the defendants' motion is hereby denied.

The judgment of August 29, 1961, is hereby amended to read as follows:

It is ORDERED, ADJUDGED and DECREED,

1) That the plaintiff, Convertible Top Replacement Co., Inc., is, by virtue of a territorial grant, possessed of the right, title and interest in and to U. S. Letters Patent No. 2,569,724 issued October 2, 1951, to Harry A. Mackie and

Stanley Duluk for "Convertible Folding Top with Automatic Seal at Rear Quarter" (hereinafter called the Mackie-Duluk patent) for, to and in the Commonwealth of Massachusetts;

2) That the defendants, comprising the corporate defendant Aro Manufacturing Co., Inc., and the defendants Mae Shapiro, George Shapiro, Marshall Shapiro, Harold R. Shapiro and John Raymond Hamlin, individually and as a co-partnership doing business as Aro Top Sales Company, have not either directly or contributorily infringed claims 3, 4, 5, 7, 8, 9 and 10 of the said Mackie-Duluk patent or any of said claims;

3) That the plaintiff's complaint as amended be and it is hereby dismissed;

4) That the defendants recover from the plaintiff the costs of the action taxed at $3,841.77;

5) That the defendants' counterclaim for a declaratory judgment under 28 U.S.C. 2201 be and it is hereby dismissed without prejudice and without costs.

By the Court,

s/ FRANCES R. FOLEY
Deputy Clerk

s/ ANTHONY JULIAN
U. S. District Judge

No. 56-357-A

CONVERTIBLE TOP REPLACEMENT CO. INC.

v.

ARO MANUFACTURING CO., INC.
MAE SHAPERO, AND
GEORGE SHAPERO
HAROLD R. SHAPIRO
MARSHALL SHAPIRO
AND
JOHN RAYMOND HAMLIN

Basis of action; Infringement of Patent No. 2,569,724
Injunction; accounting; costs.

DOCKET ENTRIES

1956		
Sept.	15	Defts' interrogatories under R 33, filed.
Oct.	30	Plf's answers to interrogatories under R 33, filed.
Dec.	6	Defendants' request for admission, filed. (No. 2).
	17	Plf's answer to interrogatory 12(b), filed.
1957		
Jan.	24	Plf's answers to requests for admission, filed.
Apr.	30	Defts' further request for admission filed.
May	9	Plaintiff's answers to defts' further requests for admission, with cert of service, filed.
1958		
June	30	List of defts' requests for admissions filed.
July	17	Pltf's answers to defts' additional requests for admission, filed. Cert. of service attached thereto
1959		
Sept.	17	Defendants' ints re accounting filed.
	24	Plf's motion for entry of injunction pursuant to interlocutory judgment filed.

1959

Oct. 2 ALDRICH, CIRCUIT JUDGE
Hearing on motion for entry of injunction pursuant to interlocutory judgment; plaintiff's brief due in one week (Oct. 9, 59, no later); defts to have 5 business days to reply from receipt of copy of brief.

2 ALDRICH, CIRCUIT JUDGE
Hearing on plaintiff's motion for leave to file supplemental pleading; advisement.

6 Plf's answers to ints re accounting, with certificate of service of copy this date upon defts, filed.

8 Plf's supplemental memo in support of its motion for leave to file supplemental pleading, filed.

27 ALDRICH, CIRCUIT JUDGE
MEMORANDUM filed: plaintiff's motion to file a supplemental pleading is denied; on plaintiff's motion for injunction, stay of injunction will not be revoked at this time. Copy to Messrs Power, Wolf and Hulbert.

1960

Jan. 20 Interim report of special master, W. R. Hulbert, filed: All testimony and documentary evidence of parties re accounting received; plf's brief rec'd Jan. 7, 60; defts' brief due Jan. 27, 60; plf to have 20d after defts' brief for reply brief; after study of same, master will advise parties if he wishes hear arguments.

Mar. 11 Defendants' motion to stay the accounting filed.

11 Defts' memorandum in support of motion to stay filed.

Apr. 11 JULIAN, J. Defendants' motion to stay accounting, under advisement after hearing.

15 JULIAN, J. Motion to stay accounting granted; ORDERED that all proceedings re accounting be

1960

stayed until further order of the Court. Notice to Messrs Power, Wolf, Hulbert, Pollock.

Aug. 3 Court Reporter's transcript of hearing Apr. 11 60 on motion to stay accounting, filed:

1961

Apr. 21 Certified copy of judgment w/Opinion dtd Feb. 27, 1961 from Supreme Court of the U. S. filed. —ON WRIT OF CERTIORARI to the United States Court of Appeals for the First Circuit.

THIS CAUSE came on to be heard on the transcript of the record from the United States Court of Appeals for the First Circuit, and was argued by counsel.

ON CONSIDERATION WHEREOF, It is ordered and adjudged by this Court that the judgment of the said U. S. Court of Appeals, in this cause, be, and the same is hereby, reversed with costs; and that this cause be, and the same is hereby, remanded to the United States District Court for the District of Massachusetts for proceedings in conformity with the opinion of this Court.

It is further ordered that the said petitioners, Aro Mfg. Co., Inc. et al., recover from Convertible Top Replacement Co., Inc. Three Hundred and Seventy-three Dollars and Ninety-two Cents ($373.92) for their costs herein expended and have execution therefor.

Clerk's costs	$203.56
Printing part of record	170.36
Total	$373.92

Concurring opinion by Mr. Justice Black.

Separate opinion by Mr. Justice Brennan concurring in the result.

1961

Dissenting opinion by Mr. Justice Harlan with whom Mr. Justice Frankfurter and Mr. Justice Stewart join.

May 1 Defendants' motion for entry of judgment filed.

11 Defendants' motion for order directing plaintiff to post a bond, filed.

11 Defendants' memo in support of said motion, filed.

(Filed with memo the following:
Brief for petitioners. (Aro et al); Reply brief for petitioners; Brief for respondent (Convertible Top); Respondent's petition for limited rehearing, or in alternative, motion for amendment or clarification of court's opinion; Vols 1, 11, 111, Transcript of Record on petition for cert granted Feb. 29, 60.)

12 Memorandum in opposition to defts' "Motion for entry of judgment" and to the form and contents of proposed judgment, filed.

19 Memorandum in support of defts' motion for entry of judgment in their favor, filed.

22 Memorandum in opposition to defts' motion for order directing plaintiff to post a bond, filed.

Aug. 29 JULIAN, J. JUDGMENT entered:

ORDERED, ADJUGED AND DECREEDS

1. USLP No. 2,569,724 . . . called the Mackie-Duluk patent, good and valid in law as to claims 3, 4, 5, 7, 8, 9, and 10;
2. Plaintiff, Convertible Top Replacement Co., Inc, . . . is possessed of right, title and interest in and to said patent for, to and in the Commonwealth of Mass;
3. Defendants, comprising the corporate defendant, Aro Mfg Co., Inc., and defts Mac, George,

1961

Marshall, Harold R. Shapiro and John Raymond Hamlin, individually and as a copartnership dba Aro Top-Sales Co., have not directly or contributorly infringed said claims (above);

4. plaintiff's complaint as amended be and it is hereby dismissed;
5. Defendants to recover from plaintiff costs of action taxed at $;
6. Defendants' counterclaim be and it is hereby dismissed without costs.

Copy to Messrs Power and Wolf.

Sept. 8 Motion for Amendment of Judgment filed by defendants.

Oct. 18 Letter to Court dated Oct. 17, 1961 re submission of further memoranda on matter of final judgment

27 Plaintiff's Memo of Points and authorities in opposition to defts' motion for amendment of judgment and proposed findings of fact and conclusions.

Nov. 3 Defendants' reply to plaintiff's memorandum of Oct. 27, 1961 opposing motion to amend final judgment of Aug. 29, 61 filed.

9 Letter from Elliott I Pollock of counsel for plaintiff dated November 8, 1961 addressed to Court, on subject matter of references made by defendants in Memo Nov. 3, 61, and quotations set out therein. Plaintiff's objections to defendants' bill of costs filed Oct. 27,, 61, filed.

1962

Jan. 5 Defts' motion for amendment of judgment, under advisement after hearing.

1962

Mar. 6 Plaintiff motion for rehearing on assessment of costs filed.

7 JULIAN, J. Plaintiff motion for rehearing on assessment of costs denied. Counsel notified.

20 List of Materials filed with the Clerk, by Wm. R. Hulbert, Esq., as Master . . . with letter of transmittal.

DEFENDANTS' ANSWER

The Defendants in the above-entitled action collectively answer the Plaintiff's complaint as follows:

* * *

16) The Plaintiff has entered license agreements and/or has conspired with others to enter license agreements and has caused said agreements to be completed which in effect require licensees to pay royalties on structures not claimed in said patent and to pay royalties on structures which, if performed by others without patentee's consent, would not constitute contributory infringement of said patent and have thereby misused or caused said patent to be misused.

17) Plaintiff is closely associated with the Automobile Body Research Corporation and is controlled by or alternately controls said Automobile Body Research Corporation and/or alternately said Plaintiff and Automobile Body Research Corporation have common ownership and thereby constitute mere alter egos of one another. Said Plaintiff was organized for the purpose of this suit and assigned the ownership of said Patent No. 2,569,724 for the Commonwealth of Massachusetts for the sole purpose of avoiding direct charges against the Automobile Body Research Corporation of misuse of said patent. Said Automobile Body Research Corporation has entered into at least one

licensing agreement and/or has caused others to be sub-licensed under agreements improperly extending the scope of the claimed subject matter of said patent and has thereby misused said patent and has improperly restrained commerce. By virtue of the foregoing facts, the Plaintiff is chargeable with misuse of said Automobile Body Research Corporation, and for that reason, said Letters Patent is uninforcible.

18) Plaintiff is the mere alter ego of Automobile Body Research Corporation and/or is in privity with it as set forth in the preceding paragraph. Automobile Body Research Corporation is the owner of United States Letters Patent No. 2,549,153 upon which it sued the General Motors Corporation. The Court of Appeals of the 4th Circuit in a decision dated March 6, 1953, held the patent to be valid and infringed as a result of this suit. General Motors Coropration assigned Patent No. 2,569,724 to Automobile Body Research Corporation as a partial settlement of the judgment against General Motors Corporation. At the time of this suit and at the time of the sale of said Patent No. 2,569,724 to Automobile Body Research Corporation, substantially all automobile convertible tops and assemblies were being manufactured in accordance with Patent Nos. 2,549,153 and/or 2,569,724 each of which could be practiced without infringement of the other. The acquisition therefore, by the Automobile Body Research Corporation completed a monopoly in the replacement top field and/or in the manufacture of original tops and assemblies for convertible automobiles. By virtue, therefore, of this acquisition of said Patent No. 2,569,724, Automobile Body Research Corporation has improperly extended its ownership of patents by this acquisition to monopolize and control the manufacture of automobile convertible tops. By virtue of these facts, Automobile Body Research Cor-

poration has improperly created a monopoly and is misusing its patents; and accordingly such misuse is attributable to the Plaintiff.

* * *

(s) EZEKIEL WOLF
Attorney for Defendants

Dated May 23, 1956

DEFENDANTS' INTERROGATORIES UNDER RULE 33 F.R.C.P.

Filed September 15, 1956

Now comes defendants and under the provision of Rule 33 of the Federal Rules of Civil Procedure propound the following interrogatories to the plaintiff to be answered under oath.

1. a) How many stockholders does the plaintiff have?

1. b) Identify by name and address all the stockholders of the plaintiff corporation if there are less than fifty, and if there are more that fifty, identify those holding more than 2% of the stock.

2.) Identify by name, office and address the officers and directors of the plaintiff.

3. a) When was the plaintiff organized?

* * *

4.) What is the business address of the plaintiff?

* * *

6.) Does the plaintiff manufacture or sell any products?

* * *

8.) Does the plaintiff own any interest in patents other than the one subject to the present action?

* * *

10.) Does the plaintiff have a license under or in any other way benefit from a patent or patents other than the one subject to the present action?

* * *

12. a) Does or has the plaintiff derive or derived an income from the patent subject to the present suit?

12. b) Does the plaintiff derive an income from any source other (if any) than the patent subject to the present action?

* * * *

Aro Manufacturing Co. Inc., Mae Shapiro, George Shapiro, Harold R. Shapiro, John Raymond Hamlin,
By Ezekiel Wolf, their attorney.

Certificate of service (omitted in printing).

ANSWERS TO DEFENDANTS' INTERROGATORIES UNDER RULE 33, F.R.C.P.

Filed October 30, 1956

Now comes Plaintiff and answers certain of the interrogatories propounded to it by Defendants, as follows:

1. a) Plaintiff has three stockholders.

1. b) The stockholders of Plaintiff corporation are: Vivian L. Pollock, 7202 Lynhurst Pl., Chevy Chase, Maryland; Douglas G. Carlson, 5314 Augusta Street Glen Mar Park, Md.; and Norman E. Quible, 4802—66th Pl., Parkway Knolls, Hyattsville, Md.

2. The officers of Plaintiff are: Vivian L. Pollock, 7202 Lynhurst Pl., Chevy Chase, Md., President; Douglas G. Carlson, 5314 Augusta Street, Glen Mar Park, Md., Secretary; and Norman E. Quible, 4802—66th Pl., Parkway Knolls, Hyattsville, Md., Treasurer.

3. a) Plaintiff does not understand the question; but assumes that it was asked for the date of incorporation and that date was, upon information and belief, April 5, 1956.

* * *

4. The business address of Plaintiff is: 7202 Lynhurst Pl., Chevy Chase, Maryland.

* * *

6. No. Plaintiff does not manufacture or sell any prod-

ucts at the present time, although there is a possibility that Plaintiff may do so in the future.

* * *

8. No.

* * *

10. No. The only patent under which Plaintiff has a license or in any other way benefits is Mackie-Duluk patent No. 2,569,724.

* * * *

12. a) No. Plaintiff has not received any income thus far from the patent in suit.

12. b) Objected to.

* * * *

Convertible Top eplacement Co., Inc., By Vivian L. Pollock, President.

* * *

PLAINTIFF'S ANSWER TO DEFENDANTS' INTERROGATORY 12(b)

Filed December 17, 1956

12(b) No. This answer is based upon the assumption that the question asks for some present source of continuing or intermittent income from third parties. If the question is meant to ask whether plaintiff has derived any income in the past, then the answer is that plaintiff has received income in the past and expects, through proper business relationships, to receive income in the future. However, there is no present income-producing relationship between plaintiff and other persons or organizations. In particular, plaintiff has not received in the past, and does not presently expect to receive in the future any income directly or indirectly from Automobile Body Research Corporation.

Convertible Top Replacement Co., Inc., By Vivian L. Pollock, President.

* * *

16. Has Automobile Body Research Corporation derived an income from the patent in suit from sales, manufacture or use of products manufactured and/or sold within the Commonwealth of Massachusetts?

* * *

Plaintiff is not informed as to the correct answer to this question and therefore cannot answer the same.

* * *

PLAINTIFF'S ANSWERS TO DEFENDANTS REQUESTS FOR ADMISSION

* * *

29. Denied insofar as the request for admission omits the provision "other than replacement top fabrics licensed under paragraph 3", set forth in clause 1 of the agreement in question. Plaintiff admits that a release of the type set forth in request for admission 29 was embodied in an agreement with the Ford Motor Company on or about the 21st day of July, 1955, with the understanding that this release did not extend to "replacement top fabrics"; with the understanding that nothing in the agreement, either expressly or by implication, authorized parties other than Ford Motor Co. to sell replacement top fabrics; and with the further understanding that the Ford Motor Company is required to pay royalties on replacement tops; and, upon information and belief, does pay such royalties to Automobile Body Research Corp, under clause 3 of the agreement, whenever said Ford Motor Company manufactures and/or uses and/or sells "replacement top fabrics".

* * *

33. Denied. The only license that was granted to the Ford Motor Company is a license "to make or have made for them in the United States and to use or sell throughout the world replacement top fabrics herein called 'replace-

ment top fabrics'." Plaintiff admits that the Ford Motor Company is licensed to manufacture and sell replacement top fabrics for Ford, Lincoln and Mercury automobiles made between 1952 and 1955; and states, upon information and belief, that the Ford Motor Company does manufacture and sell such replacement top fabrics and pays a royalty for such manufacture and sale to Automobile Body Research Corp.

CONVERTIBLE TOP
REPLACEMENT CO., INC.
By .....
VIVIAN L. POLLOCK, *President*

Respectfully submitted,
EZEKIEL WOLF,
WOLF & GREENFIELD
Attorneys for Defendants

LIST OF DEFENDANTS' REQUESTS FOR ADMISSIONS

* * *

58. The defendants' exhibit 25 is a true copy of an original letter sent by William D. Hall on behalf of Automobile Body Research Corporation to Howard Zink Corporation.

* * *

[Letterhead — MOORE AND HALL]

August 28, 1956

REGISTERED MAIL
RETURN RECEIPT REQUESTED
The President
Howard Zink Corporation
5550 Paramount
Long Beach, California

Dear Sir:

Our client, Automobile Body Research Corp., a corporation of Maryland, has instructed us to send you a notice of infringement of U. S. patent to Ackerman's No. 2,549,153, and of U. S. patent to Mackie and Duluk No. 2,569,724.

Your replacement tops for convertible automobiles for Buick, Oldsmobile and Cadillac cars for 1950 models to and inclusive of present models; Chevrolet and Pontiac models for 1950 through 1954; Ford, Mercury and Lincoln models for 1952 through 1954; and Plymouth, Dodge, De-Soto and Chrysler models for 1953; infringe the said Ackermans patent.

Your replacement tops for Ford and Mercury models for 1952 through 1954, and Lincoln models from 1952 to 1955 infringe the said Mackie-Duluk patent.

General Motors Corp., Ford Motor Co. and Atlas International Co. have purchased licenses from our client and pay us a royalty on each replacement top that they sell for one of the above-mentioned cars.

Instead of settling for past infringement and otherwise working out detailed negotiations for replacement for the aforesaid cars, some manufacturers are finding it convenient to purchase their tops, within the above categories, from Atlas International Co. We understand that Atlas is giving favorable prices in this respect and if you care to follow that policy it would of course eliminate any question of infringement.

For your information, the Ackermans patent was held valid and infringed in a suit against General Motors Corp. decided in 1953, see *Ackermans* v. *General Motors Corp.*, 202 F. 2d 642. The U. S. Supreme Court denied a petition by General Motors to review the case and also denied a rehearing to G. M. on the refusal to hear the case.

Sincerely yours,
(s) WILLIAM D. HALL
WILLIAM D. HALL

WDH:ar
cc: Howard Zink Corp.
Fremont, Ohio

* * *

PLAINTIFF'S ANSWERS TO DEFENDANTS' ADDITIONAL REQUESTS FOR ADMISSION

* * *

58, Admitted, except that the exhibit appears to be Exhibit 26 rather than 25.

* * *

CONVERTIBLE TOP
REPLACEMENT CO., INC.
By (s) VIVIAN L. POLLOCK, *President*

Deposition of RICHARD S. WRIGHT
July 2, 1958

* * *

[4] Q. Can you tell me who the counsel for this corporation is? A. At the present time, I am counsel for the corporation.

Q. Does the corporation have a patent counsel? A. It does.

Q. Who is he? Who is patent counsel? A. I am not clear whether it is William B. Hall, or the firm of Moore and Hall. In any event, Mr. Moore is patent counsel.

Q. Could you tell me what the principal assets of the corporation are? A. The principal assets of the corporation at the present time I would say would be the Mackie-DeLuk patents, which we purchased from General Motors, and the Ackermans' patent.

Q. Does it own any other patent or rights in patents? A. It does not.

Q. Does it own any other physical assets? [5] A. It has some models which were used in a prior patent case.

Q. Would you consider then it a principally patent holding company? A. I would.

• • •

[9] Q. Who are the directors of Automobile Body at the present time? A. At the present time the directors are Mr. Moore, Naomi Moore and Louise Hall.

Q. Is Naomi Moore the wife of Nelson Moore? A. She is.

Q. A members of the firm of Moore and Hall? A. She is.

Q. And is Louise Hall the wife of William D. Hall? A. I believe, I do not know that she is.

Q. Do you know whether she is related to him? A. I do not know. I have never met her.

Q. Moore and Hall I take it, is the firm that William D. Hall is associated with? A. That's correct.

• • •

[10] Q. Has the substitution of Mr. Wharton or Mr. Murphy been the only change in the directors? A. That's correct.

Q. And Mr. Wharton is I take it, associated with your firm at the present time? A. That's correct, he is a partner — partnership.

• • •

[30] Q. Do you recall conversations with Mr. Hall in which instructions were given to Mr. Hall, to send letters

to various Replacement Top manufacturers? A. Yes, we have sent, to my knowledge, several.

[31] Q. Do you recall conversations with them? That was the first question. A. Yes, I recall having them.

Q. Between whom were the conversations? A. I have no recollection but just the day before yesterday, I sent one out.

Q. You don't recall who authorized Mr. Hall to send these out? A. Well, we did.

Q. Who is we? A. The directors and officers of the corporation.

Q. In other words, you? A. Yes.

Q. Do you recall to whom these letters were sent? A. There were several sent. The one I sent the other day was sent to Rayco.

Q. Do you recall whether was sent to Crump Company, B. T. Crump? A. Yes, it was.

Mr. Wolf: I offer that letter to the Crump Company as an exhibit.

[32] (The letter referred to was marked: Wright Deposition Exhibit No. 3.)

* * *

[56] Q. In other words, under this contract which is now Exhibit 6, there is a clause which states that Convertible Top agrees to pay Automobile Body on or before June 1, 1958, or within any specified extension period thereafter, as shall be designated in writing by A. B., the sum of $10,000? Am I correct in understanding what has happened, you have extended the time period? A. That's correct.

[57] Q. And no payment has been made as of this moment? A. No payment.

* * *

[61] Q. How long have you know Mr. Quible? A. Approximately — I met him once, personally. I write him once a year and send him the annual reports for Automobile

Body. That is, the financial statements. I guess it goes back for 3 years, two or three years.

Q. Is he accountant for Automobile Body? A. That's correct.

Q. Was he introduced to you through Mr. Hall? A. Yes.

Q. Do you know of any consideration other than that recited in this contract that was passed between Automotive Body Research and Convertible Top? A. No.

* * *

Deposition of WILLIAM D. HALL
July 3, 1958

* * *

[2] *Examination by Counsel for Defendant*

* * *

[10] Q. What is your concept of the time Convertible Top was organized to form the corporation and then enter civil action against Aro? A. Well, what Converitble Top did after Automobile Body sold them the grant, was up to Convertible Top entirely, but I think it is part of the suggestion that their corporation be formed.

We did point out that there was this clear infringement up in Boston, which if they wanted to pursue it, the chances were pretty good that they could recover on it.

Q. When you made your original suggestion of the organization of Convertible Top, did you also suggest that it would be a good idea to acquire a territorial right in the Commonwealth of Massachusetts to the Mackie patent? A. That is what the suggestion was, namely, that they [11] acquire that territorial grant.

Q. Well, with whom did you have these discussions?

Mr. Pollock: I believe the witness has already testified that he doesn't recall.

I believe that he has given some names as to possible persons that he might have spoken to.

The Witness: I probably spoke to both Mr. Quible and Mr. Carlson and perhaps also Mrs. Pollock.

By Mr. Wolf:

Q. Do you know who the stockholders of Convertible Top are? A. I don't think that I have ever seen any record or anything official.

The only thing I would know would be what people have told me and based on that, it is my recollection that they are Mrs. Vivian Pollock, Douglas Carlson, and Norman Quible.

Q. Does your wife hold any office or directorship in the Convertible Top Replacement Co., Inc? A. No.

Q. Who is Louise Hall? A. She is my wife.

• • •

[15] By Mr. Wolf:

Q. Have you ever made any records which are the property of or which concerned Automobile Body available to anyone associated with Convertible Top? A. It is my recollection that at the time of the assignment to Convertible Top — .

Mr. Pollock: You mean the territorial grant?

[16] The Witness: That is right. The territorial grant — that we gave with the grant or shortly thereafter such records as pertained to transactions in the territory that the grant covered, that is, what went on in the state of Massachusetts, and we probably either referred them to or gave them a copy of the documents which established their chain of title.

• • • •

[32] Q. Did you write a letter to the Howard Zink Corporation? A. Yes.

Q. I have here a copy of what purports to be such letter attached to defendant's request for admission, and I believe it is referred to as Defendant's Exhibit 25.

I would like you to look at it and identify it.

Do you want to take a look at this?

[33] Will you identify this letter? It is a copy. A. This is a photostat, not the original, and I do recall writing a letter to them of this general tenor, but whether this is an exact copy of it, I cannot say, and I might add that I will be glad to check it and let you know, if you want it, and I might further add that you were in my office a day or two ago when we were picking out letters and we could have picked this out if you had requested, but I received no request at that time for this particular letter, although I did give you the Crump letter and, therefore, I am not in a position to check the exact wording.

Q. Do you recall any other companies that you wrote letters to of this general tenor? A. Well, it is pretty hard to say when you qualify it with words of "this general tenor," but we have sent notices of infringement to a number of replacement top manufacturers.

Q. Can you recall the names of some of them, please? A. Well, I sent a letter to Aro. That was one of the first.

And at about the same time, I sent one to Atlas and perhaps later on, to the Sears Roebuck.

I know we sent one — there have been three or four more at least, but I don't remember the names of the companies.

It has been quite a long time ago. Perhaps if you named some company in particular, I could answer.

[34] There is the Crump letter. We gave you that.

Q. With respect to the letters you have sent out, how many of these companies you contacted have become licensees? A. Atlas has become a licensee and Sears Roebuck and Company purchases all their materials from Atlas and, therefore, in effect they are licensed.

* * *

[48] "Plaintiff is the mere alter ego of Automobile Body Research Corporation and/or is in privity with it as set forth in the preceding paragraph."

There is an allegation which is at issue.

The Witness: All right, I will answer that.

Automobile Body Research Corporation is entirely distinct.

By Mr. Wolf:

Q. Excuse me — A. From Convertible Top Replacement Co.

The officers are all different. The directors are all different.

The stockholders are all different. There is nothing in common from any legal standpoint.

* * *

[66] *Examination by Counsel for the Plaintiff*

* * *

[89] Q. You are also aware of the fact that a territorial grant was passed from your client to Convertible Top, is that correct? A. Yes.

Q. At the time that all this was occurring, it is my understanding that there were a number of licensees of Automobile Body Research Corporation under the Ackermans and/or [90] Mackie-Duluk patents, is that correct? A. Yes. General Motors, Ford, and Atlas International Company.

Q. Were any of these licensees advised of the negotiations and outcome of the negotiations with Convertible Top? A. Yes. We told Atlas about it and they consented to the transfer. By "we," I mean Automobile Body did it.

I don't know whether we did it on their behalf or —

Mr. Wolf: That is oral or written?

The Witness: It is written. It is a written paper.

Mr. Wolf: Have you seen it?

The Witness: Yes.

Mr. Wolf: What does it specifically state?

The Witness: It just states that Atlas International would consent to the transfer of a territorial grant from Automobile Body to Convertible Top.

* * *

[105] *Further Examination*
by Counsel for Defendant

* * *

Q. First, is Elliott Pollock associated with you in a law firm? A. Yes. We have two firms. We have one firm of Moore and Hall and there is another firm of Moore, Hall, and Pollock.

* * *

[108] Q. Now, just one final question.

Did you consider the insertion in the Ford agreement of the reservation to license others under replacement tops as a necessary part of that agreement? A. No, I think that we would have had the right to control the replacement business even in the absence of that clause, but the purpose of that clause was to make it absolutely clear.

* * *

[109] The Witness: I am using the word, "we," because Mr. Wolf said very early in the thing that he would use that term collectively to include me and Automobile Body Research, and it is a lot easier to say, "we," than it is to say, "Automobile Body Research."

So relying on his statement earlier that we would use the term as a collective term, I believe we would have the right to arrive at royalty and otherwise consider as patented the replacement top, whether we had the reservation clause in or not, but I believe and it is my view of the law, that with the reservation clause in it that there is no question about it, that actually the issue of repair versus replacement is not a relevant matter any more, that irrespective of whether the replacement of a top is a repair or a replacement, it is still within the bounds of our patent, because any release that was granted obviously runs out when the original fabric wears out and is replaced.

* * *

[2] STENOGRAPHIC TRANSCRIPT OF TRIAL

* * *

[14] Mr. Pollock: I offer in evidence as Plaintiff's Exhibits 9-A, 9-B, 9-C, and 9-D, four letters which are identified respectively as follows: Plaintiff's Exhibit 9-A comprises letter dated January 2, 1954, notifying defendants of their infringement. The other three letters comprise letters written by attorney for defendant on behalf of Defendants and dated respectively February 23, 1954, March 5, 1954, and May 10, 1954.

[Letters dated January 2, 1954, February 23, 1954, March 5, 1954, and May 10, 1954, marked Plaintiff's Exhibits 9-A, 9-B, 9-C, and 9-D.]

* * *

---

[879] Mr. Wolf: I should also like to offer, your Honor, the exhibits which were submitted in that deposition.

The Court: Very well.

* * *

[880] Mr. Pollock: The plaintiff would also like to offer the deposition of Mr. William D. Hall.

* * * *

[883] The Court: Well, I'm going to take the deposition that Mr. Pollock offers and limit it solely to the question of [884] misuse; and anything else that he had to say about the patent, or anything that he had to say about the patent, I am not going to consider in connection with any other issue in the case.

* * *

PLAINTIFF'S ACCOUNTING EXHIBIT 1

STIPULATION

Now comes the parties to the above identified action and, through their respective counsel, stipulate as follows:

1. That attached hereto is a copy of an assignment of Mackie-Duluk Letters Patent No. 2,569,724, from Automobile Body Research Corporation to Convertible Top Replacement Co., Inc., Plaintiff herein, dated September 10, 1959. The parties stipulate that said assignment may be received in evidence by William R. Hulbert, Special Master, in the accounting now scheduled in the above identified proceeding; and further stipulate that if appropriate witnesses were called to testify regarding this assignment, they would testify that it was executed by duly authorized persons of Automobile Body Research Corporation, with full authority of that corporation, on the 10th day of September, 1959.

2. That subsequent to entry of the Interlocutory Judgment in the instant case, certain individuals and companies executed license agreements and releases, thereby securing rights under Ackermans U. S. Letters Patent No. 2,549,153 and Mackie-Duluk U. S. Letters Patent No. 2,569,724. The licensed parties under these agreements, and the effective dates of their agreements, are respectively as follows:

a) Crown Auto Top Mfg. Co., Columbus, Ohio
April 1, 1959;

b) B. T. Crump Co., Inc., Richmond, Virginia
April 1, 1959;

c) RAYCO Mfg. Co., Paterson, New Jersey
May 1, 1959;

d) Faulkner Mfg. Co., Malden, Mass.
April 1, 1959;

e) Nu Top Mfg. Co., Baldwinsville, New York
April 1, 1959.

3. That copies of said license agreements and releases, identified in the preceding paragraph, are presently in the hands of both parties. Either party may offer any or all of said agreements during the accounting before William

R. Hulbert, Special Master, subject to objection on the grounds of materiality, relevancy and competency.
September 15, 1959

(s) Elliott I. Pollock
Attorney for Plaintiff
(s) David Wolf
Attorney for Defendants

Date September 16, 1959

Assignment

Assignment made by Automobile Body Research Corp., a corporation of Maryland, hereinafter called the "Assignor," to Convertible Top Replacement Co. Inc., a corporation of Maryland, hereinafter called the "Assignee;"

Whereas, H. A. Mackie and S. Duluk United States Letters Patent No. 2, 569,724, for: "Convertible Folding Top with Automatic Seal at Rear Quarter" was duly issued by the United States Patent Office to General Motors Corporation, a corporation of Delaware on October 2, 1951;

Whereas, the Assignor is presently the owner of the entire right, title, and interest, in and to the said United States Letters Patent No. 2,569,724, except for a previous territorial grant by Assignor to Assignee recorded in the United States Patent Office at Reel 198, Frame 106;

Whereas, the Assignee is desirous of acquiring a further interest in the said Letters Patent No. 2,569,724, and in particular is desirous of acquiring complete title to said Letters Patent for the entire United States;

Now Therefore, in consideration of the sum of Ten Dollars ($10.00) paid to the Assignor, the receipt of which is hereby acknowledged, the Assignor hereby sells, assigns and transfers unto the said Assignee all the right, title, and interest in and to the said Mackie and Duluk Letters Patent No. 2,569,724, including all rights for past infringement thereof, throughout the entire United States, its

territories and possessions, other than the territory covered in the aforesaid territorial grant; the same to be held by the said Assignee within and throughout the entire United States for its own use and behoof and for the use and behoof of its successors and assigns to the full end of the term for which said Letters Patent is granted, as fully and entirely as the same would have been held by the Assignor had this assignment and sale not been made.

Signed and sealed this 1st day of September, 1959.

AUTOMOBILE BODY RESEARCH CORP.
(SEAL)
By (s) JOHN G. WHARTON
President

Attest:
RICHARD S. WIGHT
Secretary

STATE OF MARYLAND)
) ss:
CITY OF BALTIMORE)

Before me personally appeared JOHN G. WHARTON, President of Auotmobile Body Research Corp., and acknowledged the foregoing instrument to be the free act and deed of Automobile Body Research Corp. this 10th day of September, 1959.

(s) M. ISABELLE LEFFERT
Notary Public

SEAL

INTERROGATORIES WITH REFERENCE TO ACCOUNTING

1. Has the plaintiff ever manufactured or sold replacement fabric tops?

2. Has the plaintiff ever acquired any rights under Patent No. 2,549,153. If so, please specify the exact nature of these rights.

3. Did the plaintiff ever grant licenses only under its territorial rights?

4. If the answer to the preceding interrogatory is in the affirmative, please attach copies of all licenses which have been granted.

5. Has the plaintiff derived any income solely from the territorial right to the Commonwealth of Massachusetts in the patent in suit?

6. If the answer to the preceding interrogatory is in the affirmative please specify whether such income is in the nature of royalties or similar payments for the right to make, use or sell under the territorial grant. Also state the formulas by which such royalty or other similar income is calculated or has been calculated.

7. Did the plaintiff have any regular income producing relationships between it and other persons or corporations before September 10, 1959. If so, please state when such relationships were established and the nature of such relationships.

8. Has the plaintiff derived any income from sales, manufacture and/or use from products manufactured and/or sold within the Commonwealth of Massachusetts in the nature of a royalty under the Mackie and Duluk patent.

9. It is understood that the plaintiff has acquired a purported right to the entire United States under the Mackie and Duluk patent together with licenses thereunder.

(a) Have any of these licenses been granted under the Mackie and Duluk patents alone?

(b) Has any party requested a license under the Mackie and Duluk patent alone?

(c) Has the plaintiff or its predecessor in title ever offered a license under the Mackie and Duluk patent alone?

(d) If the answer to (b) and (c) is in the affirmative, please state the name of the parties with whom negotiations were conducted.

(e) Did any of the parties named in answer (d) ever take out a license under the Mackie and Duluk patent? If so, who?

• • •

PLAINTIFF'S ACCOUNTING EXHIBIT 2
STIPULATION

Now Comes the parties, and through counsel, stipulate that if William D. Hall were called to testify during the accounting in this matter, he would testify inter alia as follows:

1. I am a patent attorney and have continuously represented Automobile Body Research Corporation (hereinafter called ABRC) since the inception of that company in 1953.

2. Early in January 1954, I wrote Defendant Aro Manufacturing Co. and also Atlas International Co. in an effort to interest them in a license for replacement top fabrics. Later in 1954, I approached others in the business. Aro refused a license, and the others approached, with the exception of Atlas, ignored the offer of a license. No licenses were secured subsequent to January 1954 (except with Ford) until about twenty-two months later. This first license, granted in November 1955, was to Atlas International Co. Some of the reasons that the Atlas license was finally granted at the royalty rates specified therein were that Atlas agreed not to dispute the fact that the top fabrics it made for about thirty-five different models of cars (including some 1955 and 1956 models) were covered by the patents and that royalty would be paid un-

equivocally thereon; and that Atlas agreed to submit any dispute over royalties to arbitration on ABRC's home ground (Maryland).

3. For the period January 1, 1956 through June 30, 1959, Atlas has paid ABRC a total of $49,095.03 in royalties at the royalty rates specified in the Atlas agreement.

4. Rayco Manufacturing Co. markets a wide variety of automobile accessories such as seat covers, mufflers, convertible tops, etc., principally through a nationwide group of captive franchise dealers. ABRC gave it notice of infringement in 1954, and Rayco ignored the matter until suit was brought against one of its franchise dealers in or about June 1958. This suit was entitled Automobile Body Research Corp. v. Rayco of Maryland, Inc., Civil Action No. 10,679, United States District Court, District of Maryland. This suit was contested. In view of the possible large financial drain on ABRC if the suit continued to a conclusion against this relatively large concern (although it is not one of the largest in the top business), and in order to secure royalties in addition to those being paid by Atlas, a settlement was reached on essentially the same terms as the Atlas agreement, but with a few concessions.

5. Atlas complained to ABRC that it was paying royalty while almost all others in the business were not. ABRC, in 1959, pressed other concerns to take licenses, among other reasons to satisfy Atlas that its competition was paying also. Thus, while the Aro case was on appeal, licenses were granted to Crown Auto Top Mfg. Co. of Columbus, Ohio, Nu-Top Mfg. Co. of Baldwinsville, N. Y., Faulkner Mfg. Co. of Massachusetts, and B. T. Crump Co. of Richmond, Va. All four of these licenses, combined, reported that the royalties due at the license rates from 1955 to the date of settlement (about April 1959), totaled approximately $12,000.00. All of these licenses were nego-

itated while the Rayco suit was pending and being contested.

September 21, 1959 (s) ELLIOTT I. POLLOCK
date *Attorney for Plaintiff*
September 21, 1959 (s) DAVID WOLF
date *Attorney for Defendants*

MOTION FOR LEAVE TO FILE A SUPPLEMENTAL PLEADING PURSUANT TO RULE 15(d) F.R.C.P.

Now comes Plaintiff in the above identified action and prays that the Court grant leave for the filing of the Supplemental Pleading attached hereto. Plaintiff also moves for an Order directing Defendants to answer the Supplemental Pleading within ten days, if the Court deems such answer appropriate; as well as for a modified Order of Reference to the Master, directing that said Master need not segregate damages between Massachusetts and the remainder of the United States.

Plaintiff was unable to submit the accompanying Supplemental Pleading at an earlier date since it did not acquire, and was not in a financial position to acquire, complete title until very recently. Prior to filing of the instant suit, most replacement top manufacturers had no rights under the patent. Accordingly, Plaintiff's predecessor placed a high value on the complete patent rights, and the financial assets of Plaintiff permitted acquisition of only a territorial right. During pendency of the suit, and as stipulated by the parties, other replacement top firms became licensees of Plaintiff's predecessor and settled with that company for past infringement (see the attached stipulation, paragraph 2). The remaining value of the patent in suit thereby diminished appreciably wherefore

Plaintiff's financial position permitted acquisition of these diminished rights. Such remaining rights were but recently acquired.

* * *

PAUL V. POWER
Attorney for Plaintiff

Of Counsel:
(s) ELLIOTT I. POLLOCK

SUPPLEMENTAL PLEADING

Plaintiff hereby supplements the Amended Complaint in this case by adding the following paragraphs thereto:

11. On the 10th day of September, 1959, Plaintiff, Convertible Top Replacement Company, acquired the entire right, title and interest in and to said Letters Patent No. 2,569,724, including all rights for past infringement for, to, and in, the United States (see Supplemental Pleading Exhibit 1 attached hereto), in addition to rights which said Plaintiff had previously acquired for the Commonwealth of Massachusetts, wherefore Plaintiff is now the owner of the entire right, title and interest in and to said Letters Patent for the entire United States, together with all rights for past infringement thereof since December 30, 1953.

12. Plaintiff is, by virtue of the present rights and interest in and to said Letter Patent No. 2,569,724, entitled to recover damages for all acts of infringement and contributory infringement, of said Letters Patent, committed by Defendants throughout the entire United States from and subsequent to the time notice of infringement was given Defendants.

Of Counsel:
(s) ELLIOTT I. POLLOCK

PAUL V. POWER
Attorney for Plaintiff

MOTION FOR ENTRY OF INJUNCTION PURSUANT TO INTERLOCUTORY JUDGMENT

Plaintiff moves that the Court, pursuant to its Interlocutory Judgment of December 17, 1958, issue a perpetual injunction restraining the defendant Aro Manufacturing Company, Inc., and the several individual defendants herein, and each of them, as well as their officers, agents, servants, employees and each of them:

* * *

(c) From directly or indirectly selling, in the Commonwealth of Massachusetts, convertible automobile replacement top fabrics of the types presently identified by defendants under their part numbers 134, 224, 225, 226, 227, 228, 231, 233, 234 and 509, or the equivalent of any of them.

By its attorney,

(s) PAUL V. POWER

PLAINTIFF'S ANSWERS TO DEFENDANTS' INTERROGATORIES WITH REFERENCE TO ACCOUNTING

* * *

1. No.
2. No.
3. No. However, Plaintiff authorized its predecessor in title to grant certain licenses, as will appear hereinafter.
4. A copy of a typical agreement is attached hereto. Like agreements have been executed naming (in place of B. T. Crump Co., Inc.) Rayco Mfg. Co., Faulkner Mfg., Co., Nu-Top Mfg. Co., and Crown Auto Top Co.
5. No.
6. No answer required.
7. No, in view of the word "regular".
8. No.
9. (a) through (e) Plaintiff is unable to answer this in-

terrogatory since it refers to licenses allegedly acquired by Plaintiff. In this respect, therefore, the interrogatory is based upon a premise (i.e. "It is understood") which is partially incorrect (i.e. "together with licenses thereunder"). All licenses granted prior to Plaintiff's acquisition of the entire right, title and interest to the Mackie-Duluk patent in suit were negotiated, granted, and retained by Plaintiff's predecessor in title; and Plaintiff herein was not involved in negotiations with those prior licensees, or the grant of licenses thereto.

Upon information and belief, however, Plaintiff's predecessor in title offered licenses under Mackie-Duluk alone; and Plaintiff now offers licenses under Mackie-Duluk alone.

CONVERTIBLE TOP REPLACEMENT CO., INC.
By (s) VIVIAN L. POLLOCK
VIVIAN L. POLLOCK, *President*

AGREEMENT

MEMORANDUM of agreement made as of April 1, 1959 between Automobile Body Research Corp. (hereinafter referred to as AB) and Convertible Top Replacement Co. (hereinafter referred to as CTR), both of which parties are corporations of Maryland.

WHEREAS, CTR is, by virtue of a Territorial Grant, possessed of the right, title and interest in and to Mackie-Duluk Patent No. 2,569,724 for, to and in the Commonwealth of Massachusetts, together with all rights of action for past infringement, accruing since December 30, 1953, in the Commonwealth of Massachusetts;

WHEREAS, AB is possessed of similar rights in said patent for the remainder of the United States, and wishes to enter into negotiations with B. T. CRUMP CO., INC., a corporation of the State of Virginia

((hereinafter referred to as LICENSEE) looking toward giving the latter a license for the future and a release for past infringement accruing since December 30, 1953, for the entire United States; and therefore wishes to secure certain rights from CTR.

NOW, THEREFORE, in consideration of One Dollar ($1.00) in hand paid from AB to CTR the parties agree as follows:

1. CTR hereby grants to AB the right to grant to LICENSEE a release of all claims that CTR has against LICENSEE for past infringement of said patent. Insofar as products made and/or sold by LICENSEE are concerned, the right to grant a release further extends to all of LICENSEE's servants, customers, dealers and users of its products. CTR further authorizes AB to grant a non-exclusive license to LICENSEE, under said patent, authorizing LICENSEE to make, sell and use the patented invention throughout any and all territory in which CTR has rights.

2. Provided, however, nothing herein shall directly or indirectly act as a release of any claim that CTR may have against any one or more of the defendants in the suit of *Convertible Top Replacement Co.* v. *Aro Manufacturing Co. et al.* pending in the U. S. District Court for the District of Massachusetts.

In Testimony Whereof, the parties hereto affix their seals and signatures.

AUTOMOBILE BODY RESEARCH CORP.
By (s) J. G. WHARTON (Seal)
President

CONVERTIBLE TOP REPLACEMENT CO.
By (s) VIVIAN I. POLLOCK (Seal)
President

Attest:
(s) RICHARD S. WRIGHT
Secretary

Attest:
(s) DOUGLAS G. CARLSON
Secretary

MEMORANDUM
October 27, 1959

ALDRICH, C.J.

Plaintiff moves to file a supplemental pleading, asserting that it has recently acquired full rights under the patent from the patent owner, enlarging its original grant which was restricted to the Commonwealth of Massachusetts. The proposed amendment concludes with the statement that by virtue of this new assignment plaintiff is entitled to recover from the defendants for all acts of infringement and contributory infringement committed by them "throughout the entire United States."

Defendants make a number of objections to this motion. To some extent plaintiff seeks to meet them headon, but always to the accompaniment of an anvil chorus that, since these particular defendants did business only in Massachusetts, it had all these rights from the beginning. I am not initially, at least, impressed with that argument. In any event, it has no place in the decision of this motion, because if that contention be, in fact, sound, the motion is superfluous. Consequently, I am assuming for present purposes that plaintiff did not have all rights accruing throughout the United States against these defendants (and as to some defendants I do not see how its argument applies, even if sound as to others), but acquired new ones by virtue of the further assignment.

I also discard plaintiff's claim that inasmuch as its new assignment has been admitted in evidence before the master, the amendment is offered simply to conform the pleadings to the proof. This would be a grossly exaggerated use of that principle, if plaintiff means that I am thereby compelled to allow the amendment.

While I do not believe the record is in appropriate condition to pass upon all of defendants' present alarms and possible excursions, I am not at all satisfied with plain-

tiff's ingenuous-appearing explanations as to why it is attempting to increase its bets, now that its horse is out in front, and the race, in all probability, over. The "simplification" that plaintiff seeks in order to encompass a broader recovery is, no doubt, alluring, but I cannot help but feel the court is being woo'd by false profits. Plaintiff chose to take a territorial grant, and bring suit in its own limited right, only, and if it is in difficulties, which I do not presently decide, it is a difficulty of its own choosing.

I might make two observations, in passing. The first is that it does not at all follow that any judgment in the present suit in plaintiff's favor will mean that a later action on its new rights will be a "pianola case." The points which defendants are presently advancing with respect to plaintiff's alleged inequitable conduct may be there quite pertinent. Also, if it then appears that plaintiff has, in effect, split its cause of action in bringing this suit as it did, no doubt the court will be receptive to such a defense.

Secondly, it does not at all follow that defendants will bear all of the costs of the present hearing before the master, as plaintiff assumes in trying to point out that it is in reality making this motion to amend for "defendants' own good." I will reserve for future consideration whether the plaintiff will not have to bear the cost, or part of the cost, of separating out any damages which are not recoverable because of its limited title. Defendants, infringing, could expect to be sued for infringement, and could expect to bear the cost of suit, but very possibly not any extra cost imposed by reason of plaintiff having acquired piecemeal rights.

Plaintiff's motion to file a supplemental pleading is denied.

I turn now to plaintiff's motion for an injunction. This

case has gone three years from the time it first appeared on the trial list, and thus far defendants have escaped the force of an injunction. As previously stated, I was prepared to revoke the stay if the Court of Appeals denied the defendants' petition for rehearing, However, I am informed that that court has withheld its mandate. While I believe I have power to issue the injunction in spite of this, I construe that action as a possible suggestion that my stay should continue in effect. As a matter of comity, if not of necessity, I will not revoke the stay at this time.

(s) ALDRICH
Circuit Judge

DEFENDANT'S ACCOUNTING EXHIBIT 4-B

LICENSEE AGREEMENT AND RELEASE

This agreement effective as of April 1, 1959 between AUTOMOBILE BODY RESEARCH CORPORATION (hereinafter referred to as AB) a corporation of the State of Maryland, and FAULKNER MFG. CO. (hereinafter referred to as LICENSEE) a corporation of the Commonwealth of Massachusetts.

WHEREAS, AB is the owner of United States Letters Patent No. 2,549,153, together with all rights for past infringement thereof; and United States Letters Patent No. 2,569,724, together with all rights for past infringement thereof since December 31, 1953, except that AB does not own the rights in the latter patent for the Commonwealth of Massachusetts but has secured from the owner of those rights the right and authority to grant the license and release herein given as to any and all infringements occurring since December 31, 1953; and

WHEREAS, LICENSEE desires a release for past infringement of said patents and a license for the future;

NOW, THEREFORE, the parties agree as follows:

LICENSE

1. AB licenses the LICENSEE to make, sell, and use devices under United States Patents Nos. 2,549,153 and 2,569,724, throughout the United States.

2. LICENSEE will pay royalty on any replacement top (made, used or sold by LICENSEE), without regard to whether such top is covered by either of said patents, which by its peculiar shape or other construction adapts it for use on any one or more of the following cars:

Name of Car	*Model*
a. Buick	1950 to 1956 inclusive
b. Cadillac	1950 to 1956 inclusive
c. Chevrolet	1950 to 1954 inclusive
d. Chrysler	1953
e. De Soto	1953
f. Dodge	1953
g. Ford	1952 to 1954 inclusive
h. Lincoln	1952 to 1955 inclusive
i. Mercury	1952 to 1954 inclusive
j. Oldsmobile	1950 to 1956 inclusive
k. Plymouth	1953
l. Pontiac	1950 to 1954 inclusive

m. Any model of car after the 1958 model where the manufacturer of the car marks one or more of the above patent numbers on new cars of that model or pays royalty on the replacement top fabrics that it sells for that model.

3. In event LICENSEE makes, uses or sells any device (including replacement tops) not falling under the preceding paragraph, royalty is to be paid if the LICENSEE's conduct respecting such device would, in the absence of the patentee's consent, amount to an infringement (including contributory) of one or more of said patents. In determining the coverage of either patent, its claims read in the light

of its specification, and the prior art of record in its file wrapper shall measure the scope of the patent.

4. In event LICENSEE sells its products through another person, firm, company or corporation, that is controlled by one or more of the persons, or by a relative (either by blood or marriage) of one or more of the persons that hold stock in, control or manage LICENSEE, the royalty base for each particular replacement top shall be the highest selling price for such top by LICENSEE, or by the person, firm, company or corporation controlled by one or more of said persons or relatives thereof; provided, however, in case LICENSEE operates one or more retail outlets that sell less than 25% of LICENSEE's total replacement tops, the royalty base on replacement tops sold to such retail outlets shall be equal to the royalty base for tops sold to LICENSEE's largest independent distributor. This paragraph is included in this agreement since it is the practice of some members of the replacement top industry to have separate concerns, instead of a single concern, for manufacturing and selling. This provision is intended to equalize the royalties.

5. If the number of licensed devices sold in any quarter is less than 400, the royalty shall be at the rate of 5%. If over 400 licensed devices are sold in any one quarter, the royalty is computed by aggregating the selling prices (using the base price for each unit as determined by the preceding paragraph), and dividing by the number of devices sold to ascertain the average selling base price. The royalty shall be 5% of this average base price for each of the first 400 devices sold and 3% of this average base price for each device sold in excess of 400. Thus, if LICENSEE sold 400 devices for $15.00 and 400 at $25.00 during a given quarter, the total royalty would be $640.00. In event devices are leased or used without being sold, royalty will be paid using the average selling price as a base. For the

purposes of this agreement, the selling price of a licensed device shall be the invoice price to a customer including excise taxes but less freight allowances and discounts; and less 25% of the invoice price as an allowance for the rear curtain in the case of tops sold with rear curtains and less $1.25 as an allowance for trim in the case of tops sold with trim, provided that in no case shall the royalty based on a selling price of a replacement top alone be less than 75% of the selling price of the same top complete with rear curtain. A device shall be considered sold when it is invoiced, provided that LICENSEE shall be entitled to credit for returned devices and for devices written off as bad debts.

6. LICENSEE may once, at any time, and at its option, elect, in writing, to substitute the following paragraph for the provisions contained in paragraph 2 and for the first four sentences of paragraph 5, above:

(a) LICENSEE agrees to pay a royalty of 5% on anything (including replacement top fabrics, machines and articles of manufacture) made, leased, or sold by it, and which is of such construction that if sold without the patentee's consent would, assuming the validity of the patent, amount to infringement (including contributory) or if LICENSEE's conduct with respect thereto would amount to inducing infringement. As applied to "replacement top fabrics" this substitute provision requires the payment of royalty in event a replacement top fabric is sold which by its peculiar shape or construction would, when installed, cause the car on which it is installed to be within the scope of either patent; provided, however, if a replacement top fabric by its peculiar shape is clearly intended to be so installed that the resulting car is not covered by either patent, then no royalty is due thereon. In event that

LICENSEE makes the election herein given it, it concedes for the purposes of this agreement that the replacement of the fabric of each patent amounts to a reconstruction rather than a permissible repair of the patented invention, provided of course that the car after its fabric has been replaced is covered by the patent.

The substitute clause 6(a) set forth above shall not be in any way operative unless and until LICENSEE makes an election in writing to adopt it; and if such election is made then clause 6(a) shall thereafter control the payment of royalties, and paragraph 2 as well as the first four sentences of paragraph 5 shall no longer be operative.

7. In order to enable AB to keep count of the number of replacement tops sold by the LICENSEE, AB will furnish LICENSEE with serially numbered printed patent notices. There will be three forms of notices respectively reading as follows:

(a) "This replacement top licensed under U. S. Patent No. 2,549,153."

(b) "This replacement top licensed under U. S. Patent No. 2,569,724."

(c) "This replacement top licensed under U. S. Patents 2,549,153 and 2,569,724."

LICENSEE will attach the appropriate one of these notices, as specified by AB, to each replacement top covered by a patent, and will be responsible for each serially numbered notice furnished to it, and must pay royalty on at least as many replacement tops as it has received notices that remain unaccounted for by use, inventory, returns, bad debts or accidental destruction, plus royalty on any devices sold without such notice but on which royalty is due.

8. Royalty reports will be rendered quarterly during the months of January, April, July and October, covering LICENSEE's activities during the preceding quarter. For

example, the April report will cover sales made from January 1, to March 31. Each royalty report will include:

(a) The total number of licensed devices sold and the total selling price thereof.

(b) The number of licensed devices leased or used but not sold.

(c) The report for the last quarter of each year shall additionally include the number of serially numbered patent notices received during the year and the number unused, remaining in inventory, on returned devices and accounted for by bad debts or accidental destruction.

LICENSEE shall pay to AB the amount of royalty shown to be due by each report within thirty (30) days of the date of the report.

9. LICENSEE agrees to keep adequate accurate records that will enable AB to determine the royalty due hereunder and to allow a representative of AB to audit the same at least once a year. The records are to be preserved for a period equal to the statute of limitations in LICENSEE's state.

10. In event LICENSEE sells to a third party who is also a licensee of AB, the present license agreement shall not apply nor will royalties be payable hereunder, and nothing herein shall constitute a waiver of AB's right to recover royalties from said third party under its license.

11. In event the parties have a dispute over the amount of unpaid royalty due to AB, either may call upon the Chief Judge of the U.S. District Court for Maryland to appoint an arbitrator whose decision shall be binding.

12. So long as LICENSEE renders full and accurate royalty reports and has made payments as they come due, it may terminate this agreement by giving written notice of termination concurrently with a timely royalty report

and payment in which event the license will terminate with the end of the next royalty period.

13. In event LICENSEE adopts a selling procedure which is different from the selling procedures followed by other licensees of AB and which results in a lower effective royalty base for LICENSEE, then AB may require LICENSEE to pay such additional royalty as necessary to correct the inequality.

14. AB may terminate this license in event of a breach of the license terms, which is not corrected after thirty (30) days notice.

15. In event of any termination or cancellation of this agreement, any royalties that accrued prior to termination shall be reported and paid within thirty (30) days after the effective date of termination.

16. If at any time after the execution of this agreement AB shall grant a license under the foregoing patents (including any license granted pursuant to an order to decree of a court of competent jurisdiction) to anyone other than LICENSEE on terms, which in the opinion of LICENSEE, are more favorable than the terms of this agreement, LICENSEE shall be entitled to substitute the terms of such license for the foregoing licensing terms, as of the effective date of such license. Whenever AB grants a license under the foregoing patents to anyone other than LICENSEE, it shall promptly notify LICENSEE thereof and afford LICENSEE the opportunity to compare the terms of such license with the terms of this agreement.

RELEASE

17. Each party hereto hereby releases the other of all claims that it may have against the other, and in particular AB releases LICENSEE of all claims that AB and Convertible Top Replacement Co. has against LICENSEE for past infringement of said patents and each of the patents. Insofar as products made and/or sold by LICENSEE are con-

cerned, the release further extends to all of LICENSEE's servants, customers, dealers and users of its products.

18. As consideration for the release of paragraph 17 *supra*, and as a settlement of AB's claim for past infringement of said patents, LICENSEE agrees to pay a total sum equal to the aggregate of the total royalties due for the half-quarter from November 15, 1955 to January 1, 1956 in addition to those due for each full quarter of the period from January 1, 1956 to April 1, 1959, at the rates and under the basis of computation provided for in paragraphs 2, 3 and 5 hereof. Paragraphs 6 and 12 do not apply to the settlement for past infringement herein provided for in paragraphs 17 to 20.

19. LICENSEE agrees to make sufficient spot checks of its sales for the period from November 15, 1955 to April 1, 1959 to get a reasonably accurate estimate of the total royalties due for this period and to advise AB of the extent of the spot check made and the results thereof showing how the compensation for the release was computed. If AB is dissatisfied with the procedure or computation of LICENSEE, AB may at its own expense retain a Certified Public Accountant of Boston, Mass. who is acceptable to LICENSEE to make an accounting of the compensation due for the release as herein provided. LICENSEE agrees to cooperate with such accountant, to simplify his work. If a complete accounting is made, LICENSEE agrees to pay on the basis of the complete accounting.

20. Within thirty (30) days after the effective date of this agreement, LICENSEE shall pay to AB one-third of the amount due based on the spot check provided for hereinabove. The balance due to AB shall be paid in two equal installments on April 1, 1960 and April 1, 1961. If a more complete accounting of the records is made as provided for in paragraph 19 above, suitable corrections shall be made in the 1960 and 1961 payments so that the exact total sum due will be paid by the latter date.

21. The release herein given does not extend to any claims that AB or Convertible Top Replacement Co. has or may have against any one or more of the defendants in the suit of *Convertible Top Replacement Co.* v. *Aro Manufacturing Co, et al.* pending in the U. S. District Court for the District of Massachusetts.

In Testimony Whereof the parties hereto have signed and sealed this agreement on the dates set forth below.

FAULKNER MFG. CO.
By (s) HYMAN HERSHBERG (SEAL)
President

(SEAL) Date:
Attest:

Secretary

FAULKNER MFG. CO.
By (s) HYMAN HERSHBERG (SEAL)

(SEAL) Date:
Attest:

Secretary

AUTOMOBILE BODY RESEARCH CORPORATION
By (s) J. G. WHARTON, *Pres.* (SEAL)
President

Date:
Attest:
(s) RICHARD S. WRIGHT
Secretary

DEFENDANT'S ACCOUNTING EXHIBIT A

STIPULATION

Now come the parties and stipulate for the purposes of this case as follows to the extent relevant:

The Ackermans patent may be infringed by cars having tops of original installation for the following models:

Cadillac	1950-6
Oldsmobile	1950-6
Pontiac	1950-3
Buick	1950-6
Chevrolet	1950-3
Ford	1952-3
Lincoln	1952-5
Mercury	1952-3

At least some of the foregoing models also may infringe the Mackie-Duluk patent.

November 9, 1959

(s) ELLIOTT I. POLLOCK
Attorney for Plaintiff

November 9, 1959

(s) DAVID WOLF
Attorney for Defendants

HEARINGS before William R. Hulbert, Special Master, at the offices of Fish, Richardson & Neave, 84 State Street, Boston, Massachusetts.

* * * *

[7] Mr. Pollock: Now, the defendants here comprise a manufacturing company which makes certain specially cut fabrics. As I recall, the defendants manufactured, at least at the time of the trial, something like 140 different fabrics which were advertised and sold for installation on cars of different types and models. Of those 140 fabrics there are some seven fabrics which were specifically designed for installation on cars which had the Mackie and Duluk invention on them. It is those seven fabrics that we [8] are here primarily concerned with.

* * *

[16] Mr. Pollock: Eventually a contract was achieved with Atlas in November of 1955 and that contract is of

record and it grants a license for the manufacture of replacement top fabrics which include replacement top fabrics additional to those involved in this accounting. In particular, the Atlas agreement sets forth certain categories of cars and the Atlas agreement was essentially based upon the forms of royalty payment or the royalty computation which was approved by the Supreme Court in the Hazeltine case in that it sets forth various broad categories in which the licensee would pay royalties without regard to whether or not these fabrics were specifically covered by a patent.

• • •

[18] Furthermore, since there had been no licensees other than Atlas during this long period of years, Atlas, the sole licensee, eventually began to complain that they were being put at a competitive disadvantage. In 1959, at a time when this case was on appeal and the Rayco case was still pending—incidentally, I think I may have said it was settled in 1958, and that is not correct. It was settled in May of this year, May, 1959. At a time when the Rayco case was still pending and the Aro case was on appeal, and in response to these complaints of prejudice by Atlas, some of these other concerns were pressed to take a license. These other concerns are listed in a stipulation which we will offer. For the most part, they are very small companies and I might note in that regard that four licenses were granted in which the total damages for past infringements were only of the order of $12,000 as opposed to payments of royalties of something approaching $50,000, which had already been made by Atlas, so that the four companies combined were probably only about one-forth the size of Atlas and each company approximately only about one-sixteenth [19] the size. These facts were known and until the complaints by Atlas, it was just not considered

worth while, if you will, to litigate with these companies. In any event, licenses were granted to these companies after they had been pressed and licenses were taken by them in April and May of this year. Each of these licenses is again at substantially the same royalty rate as the Atlas agreement, but each license includes, if you will, an escape clause, since these people wished to have the opportunity to cancel the license if it should ultimately be decided by the Court of Appeals in the Aro case or by the Maryland courts in the Rayco case that the patent was not valid and infringed.

* * *

[24] Now, just to get an idea of what sort of figures we are here concerned with, you will recall that there were at least 42,000 tops involved and that the installed price ranges between $40 and $100. If we use the $40 figure, we are concerned with a total installed price in the order of $1,700,000. 7-1/2 per cent of this figure would be at least $125,000 and it would be even higher, of course, if the $100 figure is used as the installed price. Another way of looking at it is that 7-1/2 per cent of the $40 figure is a $3 royalty per top.

* * *

[35] The Master: I want to know whether both sides agree so that if it is referred to there will be no technical problem as to whether it was introduced.

Mr. Pollock: It is my understanding that the entire record is in evidence.

Mr. Wolf: I will agree to that. It will save a lot of bother.

The Master: Yes.

Mr. Pollock: There was no discussion about exhibits below. Things went in and they are in.

As a preliminary, I should like to introduce as Plaintiff's Accounting Exhibit 1 a stipulation signed by counsel

for the plaintiff on September 15 and signed by counsel for the defendants on September 16. Would the reporter please mark this as Plaintiff's Accounting Exhibit No. 1?

The Master: It will be received.

[Stipulation signed by counsel for the plaintiff and counsel for the defendants on September 15 and September 16, 1959, is marked Plaintiff's Accounting Exhibit 1.]

[38] I should next like to offer in evidence as Plaintiff's Accounting Exhibit No. 2 a stipulation signed by attorneys for both plaintiff and defendants on September 21, 1959.

The Master: Unless there is objection, the reporter can note that each item offered is received in evidence.

[Stipulation signed by attorneys for both plaintiff and defendants on September 21, 1959 is marked Plaintiff's Accounting Exhibit No. 2.]

[41] Mr. Pollock: Under the General Motors agreement, which is of record, General Motors will pay a royalty of 5 per cent of the net selling price of their replacement top fabrics.

Mr. Wolf: Does that include trim and curtains?

[42] Mr. Pollock: There is nothing in the agreement on that.

Mr. Wolf: How about Ford?

Mr. Pollock: I will read into the record, among other things, this agreement states:

> "It is agreed that whenever General Motors, its subsidiaries, domestic and foreign, present and future, themselves and their successor or successors, sells or uses in the United States for replacement a top fabric herein called a 'replacement top fabric,' General Motors will pay a royalty of five (5%) per cent of the net selling price thereof."

Later on this same clause says—

Mr. Wolf: But their license did not extend to the Mackie-Duluk patent?

Mr. Pollock: That can be brought out. There is no use arguing about this now. You have asked the question.

Mr. Wolf: But it is not for infringing tops.

Mr. Pollock: It is for replacement top fabrics.

Mr. Wolf: That does not come within the scope of this patent.

Mr. Pollock: If that is the case, you will develop that, of course. All I am trying to show is General Motors [43] does have a royalty based on certain prices and still conceding for the purposes of this discussion that the prices charged by General Motors are in almost all of these instances higher than those charged by Aro, that General Motors does manufacture a more expensive or a higher quality top.

The Master: Or, at least, it charges more for them.

Mr. Pollock: Or at least it charges more for them. I might note, if my brother will accept it, that the same situation applies as to Ford tops: Ford also charges more for its top fabrics than Aro.

* * *

[183] HAROLD R. SHAPIRO, Sworn

* * *

[383] Mr. Pollock: By way of example, I would invite the Master's attention to Interrogatory 23-B, which was offered previously as part of the plaintiff's case. This contains a listing of total income from infringing structures to Aro Top Sales Company for the years 1954 to 1958 and I believe the record would show we totaled these to show there was a total income of $698,000-odd for that period of time. [384] In working with these figures the Master should revise that upward by 14 per cent, and the

parties have done so in deriving certain of this other information.

• • • • •

[449] Mr. Wolf: I should like to offer as Defendants' Accounting Exhibit A the stipulation dated November 9, 1959 between the parties. I am offering that.

The Master: Will you mark it?

[Stipulation dated November 9, 1959 is marked Defendants' Accounting Exhibit A.]

• • • • •

[462] Mr. Wolf: Therefore, I am offering into evidence a group of licensing agreements.

Exhibit B comprises the following:

B-1, the agreement between Automobile Body Research Corporation and B. T. Crump Company, dated April 1, 1959.

B-2, agreement between Automobile Body Research Corporation and Nu-Top Manufacturing Company, effective as of April 3, 1959.

B-3, agreement between Automobile Body Research and Rayco Manufacturing Co., effective as of May 1, 1959.

B-4, agreement between Automobile Body Research Corporation and Faulkner Manufacturing Company, effective as of April 1, 1959.

Mr. Pollock: Objected to as irrelevant to this proceeding. I do not see what pertinence they would have.

The Master: After I see them, I can pass on them. These may be received in evidence for whatever relevancy they may have.

Mr. Pollock: Yes.

[Defendants' Accounting Exhibits B-1, B-2, B-3, B-4, between Automobile Body Research Corporation and B. T. Crump Company, Nu-Top Manufacturing Co., Rayco Mfg. Co. and Faulkner Mfg. Co. received in evidence.]

* * *

[476] Q. Will you tell me something about the number of competitiors you have and where they are located?

Mr. Pollock: If it will save any time, the plaintiff will stipulate this is a competitive business.

Mr. Wolf: I won't stipulate that to save time.

[478] Mr. Wolf: I would like to point out to you they do have an agreement attached to them which is highly pertinent. These are the interrogatories which were sworn to on September 29, 1959, the answers sworn to on that date, Defendants' Interrogatories 1 to 11.

What I would like to call to your attention at this moment is the agreement attached to them between Automobile Body Research Corporation and Convertible Top, which the answers to the interrogatories say is typical to those entered into, including the one with Faulkner, in which the consideration of one dollar, and no other recited consideration, is mentioned, by which Convertible Top grants to Automobile Body the right to grant licenses and releases under their territorial right. The consideration recited is $1.

* * *

[494] HAROLD SHAPIRO, Resumed

Direct Examination by Mr. Wolf, Continued

* * *

[527] *Cross-Examination by Mr. Pollock*

* * *

[536] The Witness: I most certainly would consult my counsel on the validity and the territorial right of the patent before I would sign such a document.

But another thing that comes into my mind since this trial came up is, suppose the plaintiff had lost in the lower court and the Court of Appeals, what would he lose in connection with this case?

XQ. Is that something you thought of or counsel thought of? A. That is something I thought of.

The Master: I might say that the one thing that the plaintiff can't blame the defendant for is the territorial grant.

* * *

TRANSCRIPT OF HEARING
April 11, 1960

* * *

[17] The Court: that perhaps you don't feel too secure, I assume, because you ask for a bond, about the ability of the defendant to meet the judgment if judgment were to be entered. On that score, is it so that the total gross sales amounted to 800,000, more or less?

Mr. Power: I think so.

The Court: Supposing that entry goes your way, how much do you expect to recover?

Mr. Power: Well, I haven't thought about this for some time.

The Court: You won't be held to the figure; just a rough estimate.

Mr. Power: I suppose a reasonable royalty would be 5 per cent.

The Court: That would be about $40,000 or $50,000.

Mr. Power: Yes, your Honor.

The Court: And you have an attachment on the real estate which is represented to be of a value of approximately $120,000 so that there is something like $20,000 mortgage on it—do you have such an attachment?

Mr. Power: We have a real estate attachment.

The Court: Do you have any reason to believe the attachment might be invalid?

[18] Mr. Power: I think it is a good attachment but I

don't think the equity is anything like what has been represented to the Court.

The Court: Assuming it has been represented with caveats and warnings to the Court that the figures are not to be taken too exactly, but according to the defendant's representations, with those qualifications you have an equity of approximately $100,000. Let's cut that by 25 per cent. You say you have an equity of $75,000, and aren't you adequately protected?

Mr. Power: We certainly would be adequately protected if that were so, but I have never seen any evidence that the equity we have is worth anything.

* * *

BRIEF FOR RESPONDENT (No. 21 O.T. 1960)

* * *

B. *The Proposed Rules of Law Propounded By Aro and the Government Cannot, Under the Facts of This Case, Extend to Ford Cars*

* * *

The Trial Court thus found that the defense of "repair" could *not* be raised against Ford cars, since these cars were unlicensed. Whatever this Court's view be toward the Government's new test of reconstruction, it is submitted that Aro must nevertheless be liable for its Ford activities, for, at the very least, having "repaired" infringing devices.

* * *

BRIEF FOR RESPONDENT IN SUPPORT OF PETITION FOR A LIMITED REHEARING, OR FOR AMENDMENT OR CLARIFICATION OF THE COURT'S OPINION

Brief Statement of Facts

During the years 1950-54, the General Motors Corp. manufactured convertible cars covered by, and originally

licensed under, the Mackie-Duluk patent. These cars had a fabric top which was replaced after a period of years to preserve the appearance of the car. This Court has now held that replacement of such fabric tops comprises a mere repair, rather than a reconstruction of the top; and that since the sale of the original car was under license, the original licensed sale carried with it an implied license to repair wherefore there was no infringement. Respondent is not asking for a rehearing on this holding of the Court.

* * *

The decision of the Trial Court as to the Ford cars should therefore be affirmed by this Court, since no appeal was taken to the Court of Appeals from the District Court holding that the defense of repair was not available as to Aro tops sold for Ford cars.[1]

* * *

MEMORANDUM IN OPPOSITION TO DEFENDANTS' MOTION FOR AN ORDER DIRECTING PLAINTIFF TO POST A BOND

* * *

Plaintiff's Financial Condition

This Court has requested that Plaintiff disclose its present financial status.

Plaintiff presently owns the entire right, title and interest to Mackie-Duluk patent No. 2,569,724. This patent was originally purchased by Plaintiff's predecessor in title

---

[1] In Footnote 10, the majority said that misuse "is not an issue in this case". The minority said that this issue "is not before this Court at this time" since (footnote 5) "Aro did not appeal that finding" to the Court of Appeals. It seems likely, by analogy, that both the majority and the minority of this Court felt that Respondent was entitled to recover for Ford cars, at least on the ground of no appeal. If so, clarification is requested so the record will be clear.

for the sum of $80,000. At the present time, since the life of the patent is shorter, the value of the patent must be considered somewhat less. However, the patent is not valueless, since it has been affirmatively held valid; since it is infringed by structures sold for use on Ford cars; and since it still has a life of some seven years, during which time industry may return to the Jackie-Duluk structure and be willing to pay royalties under the patent for original devices, as well as royalties for replacements on Ford cars. The patent is presently carried on plaintiff's books at a net value of, approximately $27,900, against which there are contractual liabilities of $32,000.

Plaintiff's counsel is advised that Plaintiff presently has a bank account of $140.50. In addition, Plaintiff has been awarded costs by the District Court (thus far not computed) and has been affirmatively awarded costs in the amount of $1161.40 by the Court of Appeals, which amount has not been paid by Defendants. Plaintiff's counsel is further advised that Plaintiff has an accumulated operating deficit, primarily attributable to the instant suit, in the amount of approximately $10,500. It is believed clear from the foregoing, therefore, that Plaintiff is unable at the present time to post any bond even remotely approaching that now sought by Defendants.

* * *

Respectfully submitted,

(s) PAUL V. POWER

Attorney for Plaintiff

Of Counsel:

(s) ELLIOTT I. POLLOCK

[Letterhead—MOORE AND HALL]

October 17, 1961

Hon. Anthony Julian
District Judge
U.S. District Court
District of Massachusetts
Boston 9, Mass.

Re: Civil Action 56-357J
Convertible Top v. *Aro Mfg. Co.*

Dear Judge Julian:

Plaintiff is in receipt of a "Motion for Amendment of Judgment under Fed. R. Civ. P. 52(b) and 59(e)" filed by Defendants in the above identified matter on or before September 8, 1961. I apologize for not having commented on this Motion previously. When it was received, I was already involved in certain litigation which consumed all my time through the month of September and the first two weeks of October.

Plaintiff disagrees entirely with the action sought by Defendants. Inasmuch as you must rule on Defendants' recently filed Motion, Plaintiff is now preparing and will promptly submit, a Memorandum of Points in Opposition to the Motion, as well as some proposed findings of fact and conclusions of law, which you may wish to adopt in the form presented or in modified form.

Plaintiff would further like to note that it believes its arguments, previously submitted, relating to Defendants' infringement by sale and installation of type 134 tops (for Ford cars) were well taken. If, therefore, upon review of the various papers now before you, you are disposed to reopen the judgment and/or amend the same, Plaintiff requests and would appreciate the opportunity to present further memoranda and proposed findings relating to the 134 tops, with a view toward having final judgment entered against Defendants as to such tops. Judge Aldrich,

during the initial litigation in this matter, found it convenient upon occasion to write to counsel suggesting actions which he anticipated taking, and giving counsel an opportunity to file papers in support of, or in opposition to, such proposed action. If such a procedure is acceptable to you, a simple letter stating that you wish to reopen the judgment would suffice; and I will promptly prepare and submit for your review further memoranda relating to the Ford tops.

Sincerely,

(s) ELLIOTT I. POLLOCK

EIP/amr
cc: P.V. Power
David Wolf

MEMORANDUM OF POINTS AND AUTHORITIES IN OPPOSITION TO DEFENDANTS' MOTION FOR AMENDMENT OF JUDGMENT; AND PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Judgment Should not be Amended to Eliminate the Finding of Validity

Defendants' motion, paragraph 1, urges that this Court eliminate the finding of validity from the Judgment, and suggests that the proposed amendment is supported by *Electrical Fittings Corp.* v. *Thomas & Betts Co.*, 307 US 241 (1939). Defendants have, however, ignored a very real and controlling distinction between *Electrical Fittings* and the instant case, i.e. Defendants submitted a counterclaim expressly seeking a decree of invalidity. The Supreme Court itself so distinguished the *Electrical Fittings* case in a subsequent decision, *Altvater* v. *Freeman*, 319 US 359, 363-4, wherein the Court stated:

> "That case [i.e. Electrical Fittings Corp. v. Thomas & Betts Co.] was tried only on bill and answer. The

District Court adjudged a claim of a patent valid although it dismissed the bill for failure to prove infringement. We held that the finding of validity was immaterial to the disposition of the cause and that the winning party might appeal to obtain a reformation of the decree. To hold a patent valid if it is not infringed is to decide a hypothetical case. ***But the situation in the present case is quite different.*** We have here not only bill and answer ***but a counterclaim.*** Though the decision of non-infringement disposes of the bill and answer, ***it does not dispose of the counterclaim which raises the question of validity.*** * * * we are of the view that the issues raised by the present counterclaim were justiciable and that the controversy between the parties did not come to an end * * * on the dismissal of the bill for non-infringement * * *." (Emphasis and matter in brackets added.)

* * *

Respectfully submitted,

(s) PAUL V. POWER

Of Counsel:

(s) ELLIOTT I. POLLOCK

REPLY TO PLAINTIFF'S MEMORANDUM FILED OCTOBER 27, 1961 OPPOSING DEFENDANTS' MOTION DATED SEPTEMBER 9, 1961 TO AMEND THE FINDINGS AND JUDGMENT OF AUGUST 29, 1961

* * *

We are informed that even after the Opinion of the Supreme Court, correspondence on the letterhead of Moore and Hall over the signature of William D. Hall demanded royalty payments on replacement fabrics for installation in 1952-54 Ford Motor Co. cars under the Mackie-Duluk

patent and on replacement fabrics with a "cushion" for installation in 1950-54 Ford Motor Co. and General Motors cars under the Ackermans combination patent, claiming such payments are required by agreements licensing the sale of unpatented replacement fabrics.

In our petition for writ of certiorari filed in the Supreme Court in 1959 we said

> . . .[F]ormation of a shell corporation with no assets of value to institute suit under a territorial grant insulates the real parties in interest from even bearing court costs in the event the patent is held invalid. Petition, p. 14.

And respondent replied

> Nor is there any truth, much less substance, in Petitioners' allegations (p. 14) regarding "a shell corporation", "real parties in interest", or "manipulation of patent rights". Such slurs, without support in the record, are reprehensible. Respondent's Brief in Opposition p. 15.

In a letter to us dated September 12, 1961 on the letterhead of Moore and Hall over the signature of Elliott I. Pollock it was stated

> . . . Plaintiff is convinced that there is no merit in Defendants' contentions regarding the anti-trust law; but even if you should be otherwise persuaded, it should by now be clear to you that even if you were to somehow prevail on this issue, any judgment entered against Plaintiff would be of little monetary value to the Defendants.

* * *

Respectfully submitted,

EZEKIEL WOLF, WOLF & GREENFIELD

By

Attorneys for Defendants

[Letterhead—MOORE AND HALL]

November 8, 1961

Hon. Anthony Julian
District Judge
U.S. District Court
District of Massachusetts
Boston 9, Mass.

Re: Civil Action 56-357J
Convertible Top v. *Aro Mfg. Co. et al*

Dear Judge Julian:

Counsel for Plaintiff is now in receipt of a Memorandum filed by Defendants in the above identified cause on or about November 3, 1961. In said Memorandum, page 5, Defendants make reference to certain discussions with "counsel for Plymouth", and at the bottom of page 6 and the top of page 7 further makes reference to some correspondence over the signature of William D. Hall. None of this material is in the record; and of even greater importance, counsel for Plaintiff is not familiar with the material thus relied upon, wherefore it is submitted that all of it should be ignored by your honor.

One matter does require immediate answer, however. Defendants, at page 7, have seen fit to quote from a letter over the signature of Elliott I. Pollock, dated September 12, 1961. This particular letter was written in connection with a possible settlement of the present action; and the letter terminated with the following paragraph:

> "If you are prepared to make an agreement along the foregoing lines, we suggest that you advise us thereof promptly so that neither side will incur further expenses in connection with further appeals in this matter. On the other hand, if for some reason you are not agreeable to compromising the present cause of action, we would stress that the present letter is being written for purposes of settlement and

is not to be used in any further proceedings in this matter."

It is believed reprehensible for Defendants' counsel to quote from a letter which expressly stated in its body that it was for purposes of settlement only and was not to be used in any further proceedings in this matter. Indeed, this latest instance of the tactics conventionally employed by Defendants is believed to substantiate the statements recently made in Plaintiff's objections to Defendants' bill of costs, to the effect that Defendants should not be awarded any costs whatsoever in view of their conduct in this case.

If the Court is interested, Plaintiff would be willing to submit the entire letter of September 12, 1961 for the Court's consideration.

Sincerely,

(s) ELLIOTT I. POLLOCK

EIP/amr
cc: P.V. Power
David Wolf

RECORD APPENDIX

RELEVANT DOCKET ENTRY

1962

Mar. 13 Notice of Cross-Appeal filed by defts. cy to Mr. Power

---

DEFENDANTS' ANSWER

The Defendants in the above-entitled action collectively answer the Plaintiff's complaint as follows:

* * *

Further answering by way of counterclaim, the Defendants allege:

* * *

d. That this court find and enter a decree herein holding that said Patent No. 2,569,724 has been misused.

* * *

g. That the Defendants have judgment for costs and such other and further relief as equity may require or to this honorable court may seem meet and just.

(s) EZEKIEL WOLF
Attorney for Defendants

Dated May 23, 1956

HEARINGS before William R. Hulbert, Special Master, at the offices of Fish, Richardson & Neave, 84 State Street, Boston, Massachusetts.

* * *

[68] Mr. Pollock: I should also like to offer in evidence Interrogatory 19-C, and that asks for the total income realized by Aro Manufacturing Company for the sales specified in Interrogatories 19-A and 19-B. The answer to this interrogatory is $352,826.10. This represents monies

paid by the Sales Company, the sole purchaser of these [69] tops, to the Manufacturing Company for the specific tops in question, and I note that these are just infringing tops that we are concerned with.

The Master: This is indicating the receipts?

Mr. Pollock: This is receipts by the Manufacturing Company for these infringing tops. And the previous interrogatory indicated that the only place they got their receipts for these infringing tops was from the Sales Company.

I should further like to offer in evidence Interrogatory 23-B and the Answer. 23-B states:

> "With regard to the various tops sold by Aro Manufacturing Company, Inc. to Aro Top Sales Company, as specified in answer to Interrogatory 19-A, please further specify the total income realized by Aro Top Sales Company in subsequent resale of these tops during each of the time periods set forth in Interrogatory 15."

Interrogatory 23-B is split into five parts giving the total resale prices for the Sales Company for each of the years 1954 through 1958. I would invite the Master's attention to the fact that these prices as given are each in excess of $100,000 and that the total resale price, total figure given is $698,216.50.

[70] As the first point in our prima facie case, therefore, I note that the Interrogatories 19-C and 23-B indicate that the Sales Company paid $350,000-odd for these infringing tops, resold them for $698,000-odd, and the actual subtraction of the figures indicates a gross profit in the order of $345,390.40 for these infringing tops.

Mr. Wolf: That is over a five-year period.

Mr. Pollock: 1954 through 1958. As I understand it, it is from early January, 1954 until December 18 or December 21.

[235] LAWRENCE SPIEGEL, Resumed.

Direct Examination by Mr. Pollock, Continued.

[255] Q. Mr. Siegel, have you now computed the legal fees which have been charged on the books of Aro Top Sales or the Manufacturing Company?

Mr. Wolf: The corporation. Legal fees and other expenses.

Q. And expenses for transcript and the like?

Mr. Wolf: And witnesses?

Mr. Pollock: Yes.

Q. Which have been charged on the books of Aro Sales and Aro Manufacturing Company in connection with this litigation? A. Yes.

Q. What is the sum that you computed A. $11,065.96.

MOTION FOR ENTRY OF JUDGMENT

Now comes the defendants in the above case and move for entry of judgment in the form hereto attached.

Respectfully submitted

ARO MANUFACTURING CO., INC. ET AL

By (s) DAVID WOLF

EZEKIEL WOLF, WOLF & GREENFIELD

JUDGMENT

6. That an interlocutory judgment be entered for the defendants on their counterclaim.

7. That further hearing and testimony be taken on defendants' counterclaim for the purpose of determining such affirmative relief to which the defendants are entitled.

NOTICE OF CROSS-APPEAL TO COURT OF APPEALS

Notice is hereby given that defendants Aro Manufacturing Co., Inc., Mae Shapiro, George Shapiro, Marshall Shapiro, Harold R. Shapiro and John Raymond Hamlin, individually and as a co-partnership doing business as Aro Top Sales Company hereby cross-appeal to the United States Court of Appeals for the First Circuit from the Amended Judgment entered in this action on February 16, 1962 failing to adjudge the plaintiff liable to the defendants for violating the antitrust laws and order further hearings on the extent of liability.

Respectfully submitted;
EZEKIEL WOLF, WOLF & GREENFIELD
By (s) CHARLES HIEKEN
Attorneys for Defendants

[fol. 71]

APPENDIX

No. 5488

ARO MANUFACTURING CO., INC., et al.,
Defendants-Appellants,

v.

CONVERTIBLE TOP REPLACEMENT CO., INC.,
Plaintiff-Appellee.

BRIEF FOR DEFENDANTS-APPELLANTS

* * * * * * *

Questions Presented.

The questions presented in this appeal are:

1. Is not an individual entitled to maintain or have maintained in working condition, a patented combination rightfully acquired by having replaced a part which expectedly became worn or defective before other integral parts of the patented combination without paying a second royalty?

2. Where a patented combination recites as one element in the combination, an unpatentable component which is normally manufactured as an appendage to much larger wearable and non-patentable structure, may not such structure be replaced together with the appendage?

3. Does one infringe a patent by replacing an unpatentable component of a patented combination in a manner which was not disclosed as operable by the patentee?

4. Does the sale of an unpatentable component for replacing a worn element of a patented combination constitute contributory infringement under 35 U.S.C. § 271 (1952)?

* * * * * * *

[fol. 72]

IN UNITED STATES COURT OF APPEALS

FOR THE FIRST CIRCUIT

JOINT MOTION—Filed April 27, 1962

The parties to this appeal respectfully move this court to treat the Joint Record Apendix of Appeal No. 5488 and the printed recorded appendix of either party in Appeal No. 5993 as part of the printed record in this appeal, all these appeals arising from the suit originally brought by appellant against the appellees on April 27, 1956.

Respectfully submitted,

Paul V. Power, Attorney for Appellant, 82 Devonshire Street, Boston 9, Massachusetts.

David Wolf, Charles Hieken, Attorneys for Appellees, Ezekiel Wolf, Wolf & Greenfield, 68 Devonshire Street, Boston 9, Massachusetts.

[fol. 73]

IN UNITED STATES COURT OF APPEALS

FOR THE FIRST CIRCUIT

ORDER ALLOWING—April 27, 1962

Upon consideration of joint motions *re* incorporation in record appendices herein,

It is ordered that said motions be, and the same hereby are, allowed.

By the Court / Roger A. Stinchfield, Clerk.

[Clerk's Memorandum: The Joint Record Appendix of Appeal No. 5488 referred to in the above motion is here omitted as it was transmitted to the Supreme Court of the United States and filed in Aro Manufacturing Co., Inc., et al., petitioners, versus Convertible Top Replacement Co., Inc., respondent, No. 21, October Term, 1960.]

[fol. 75]

IN THE UNITED STATES COURT OF APPEALS

FOR THE FIRST CIRCUIT

Appeal No. 5991

CONVERTIBLE TOP REPLACEMENT COMPANY, INC.,
Appellant,

v.

ARO MANUFACTURING COMPANY, INC., et al.,
Appellees.

Appeal No. 5993

ARO MANUFACTURING COMPANY, INC., et al.,
Appellants,

v.

CONVERTIBLE TOP REPLACEMENT COMPANY, INC.,
Appellee.

MOTION TO STRIKE—Filed June 28, 1962

Now comes Convertible Top Replacement Company, Inc., appellant in Appeal No. 5991 and appellee in Appeal No. 5993, and moves that the following materials filed by Aro in each of said appeals be stricken as constituting matters unnecessary to and not properly in the record for purposes of these appeals:

(a) Aro's entire "Record Appendix to Brief for Appellees" in No. 5991 (gray cover), or at the very least, pages 15-18 and 27-65 each inclusive.

(b) In Aro's "Brief for Appellees" in No. 5991 (green cover), all references to "RA." pages other than 5-14 and 19-26; and in addition pages 10-13, inclusive.

[fol. 76] (c) In Aro's "Brief for Appellants and Record Appendix Thereto" in No. 5993 (blue cover), all references to "RA." pages other than 5-14 and 19-26; and in addition pages 9-13 inclusive, the first paragraph on page 14, and "Record Appendix" pages 67-70 inclusive.

It is further requested that the foregoing motion be acted upon promptly so that the party, Convertible Top Replacement Company, Inc., will be in a position to know what materials it must consider in the preparation of its briefs.

Memorandum in Support of Motion to Strike

The material listed in the foregoing motion, now sought to be stricken, comprises in excess of fifty-six printed pages of material which, it is submitted, is unnecessary to and improper for consideration in these appeals. The pages objected to reproduce material not of record, include matters relating to a separate later accounting procedure which was never completed and the testimony in which was never ruled upon by the Special Master or Court as to credibility, admissibility or pertinence, and includes such material as excerpts from recent briefs and letters by counsel filed in connection with matters unrelated to these appeals.

Under the provisions of Rule 33(4) of the Rules of this Court, costs of printing can be taxed; and the unnecessary and improper material now printed by Aro might, if they were to prevail in both appeals, be taxed at some $200.00 which would be wholly unwarranted in the premises. Moreover, the material objected to and now sought to be stricken is so irrelevant and improper as to require its physical re-
[fol. 77] moval or deletion so that this court can confine its attention to material properly relevant and of record in connection with these appeals.

Certain of the pages objected to purport to reproduce requests for admission and interrogatories, and their answers, which in actuality were never offered in evidence and are not of record. Aro's complete offer in these respects appears at R. 263-4; and for convenience, this offer is reproduced hereinafter:

> "[512] Mr. Wolf: Your Honor, I should like to offer in evidence certain Defendants' Requests for Admis-

sions and the Answers as well as Interrogatories. With your Honor's permission I would merely give the Interrogatory numbers and the Requests for Admission numbers, and perhaps that would suffice.

"The Court: All right.

"Mr. Wolf: Interrogatories 1 through 6, 8, 10, 12-A and 12-B, 18, 22, 24, 25, 26, 88 and 89, and the Answers thereto. I should also like to offer in evidence Defendants' Requests for Admissions 7, 8, 9, 12, 13, 26, 27, and the answers to 27-MM and VV and 43."

In Aro's Record Appendix in 5991 (gray cover) pages 15-18 reproduce interrogatory 16, requests for admission 29, 33 and 58, and an exhibit referred to in request 58. As will be appreciated by comparison with Aro's actual offer of proofs, quoted above, none of this material is in the record; and it should therefore be stricken.

The material appearing in Aro's Record Appendix in 5991 (gray cover) starting at the bottom of page 26 and continuing through the top of page 56 constitutes testimony, exhibits, etc., taken in an accounting procedure subsequent to Judge Aldrich's decision. This accounting proceeding was never completed and was, to the contrary, stayed on Aro's motion. No Master's Report was ever filed nor was the "evidence" taken therein ever ruled upon by either the [fol. 78] Master or the Court. Moreover, none of this material relates to the real issues in this appeal, i.e., Convertible Top Replacement Company's right to recover as to tops for unlicensed Ford cars, the obligation of the trial court to hold the patent valid, and the sufficiency of appellant's pleadings and proofs during the original trial insofar as those proofs and pleadings relate to Aro's present allegations of antitrust violation. Moreover, the very dates of all this material demonstrates that it all took place subsequent to the closing of proofs before Judge Aldrich. As such, this material is not a part of the real record before this court, is unnecessary, irrelevant, and improper; and should therefore be stricken.

The material appearing at pages 56 through 65 of Aro's Appendix in 5991 (gray cover) comprises excerpts from a very recent transcript and from memoranda relating to

the posting of a bond, extracts from other memoranda filed by the parties even more recently, and reproductions of letters written to the court by counsel still more recently. None of this material comprises a portion of the record; and none of it is necessary to consideration of the issues on these appeals. It should therefore be stricken in its entirety.

The material appearing at pages 10-13 of Aro's "Brief for Appellees" (green cover) refers throughout to the objectionable materials detailed above. It purports to interpret various accounting exhibits, reproduces a portion of an affidavit (pages 10-11) not of record in this case and filed indeed in a completely separate proceeding in the District of Columbia; and reproduces out of context a portion of a very recent letter written by counsel.

[fol. 79] The material appearing at pages 9-12 of Aro's "Brief for Appellants etc." in No. 5993 (blue cover) is the same as pages 10-13 in Aro's green cover brief in 5993; and is objectionable for the same reasons. Moreover, the material commencing at the bottom of page 12 and continuing through the top of page 14 of Aro's blue cover brief in 5993 purports to interpret the accounting evidence by arbitrarily assuming a royalty rate and then using that assumed royalty rate in an elaborate mathematical exposition. The evidence in the accounting procedure has not as yet been ruled upon and is not a part of the record which should be considered by this court; nor is there any showing that the figures selected and treated at these pages are realistic or accurate. This court should not be required to check Aro's arithmetic, particularly when it is based on figures not of record.

The "Record Appendix", pages 67-70 at the end of Aro's blue cover brief in 5993, is also entirely improper. The reproduction from "Defendants' Answer" appearing at the top of page 67 has, with the exception of the two lines constituting Section "d", already been reprinted at R. 11-12, wherefore there was no need to reprint this material in its entirety. The material commencing at the bottom of page 67 and continuing through the upper half of page 69 relates to the accounting procedure, wherefore it is objectionable for the reasons previously stated. The material appearing

on the lower portion of page 69 and continuing on to page 70 reproduces portions of a motion, of a proposed judgment, and the notice of cross appeal filed by Aro; and none of this material is necessary to consideration of the instant appeals.

[fol. 80] For the foregoing reasons, it is submitted that Aro has printed in very large part material which is unnecessary to and improper in this matter. Aro should be required to delete this material bodily from all copies of papers now filed in this court. Indeed, it is submitted that Aro's gray cover "Record Appendix" in 5991 should be stricken in its entirety since the few parts thereof which are not technically objectionable are so submerged in the bulk of improper material submitted as to impede proper consideration of the real record by this court.

Respectfully submitted,

Paul V. Power, 82 Devonshire Street, Boston, Massachusetts, Counsel for Convertible Top Replacement Company, Inc.

Of Counsel: Elliott I. Pollock, 904 Ring Building, Washington 6, D. C.

[fol. 81]

IN UNITED STATES COURT OF APPEALS

ORDER DENYING MOTION TO STRIKE—June 29, 1962

It is ordered that the motion to strike, filed by Convertible Top Replacement Company, Inc., be, and the same hereby is, denied, without prejudice to renewal in its brief, at the oral argument, or upon taxation of costs.

By the Court: Roger A. Stinchfield, Clerk.

MINUTE ENTRY OF ARGUMENT—October 3, 1962

Thereafter, on October 3, 1962, this cause came on to be heard and was fully heard by the Court, Honorable Peter Woodbury, Chief Judge, and Honorable John P. Hartigan and Honorable Bailey Aldrich, Circuit Judges, sitting.

[fol. 83]

IN UNITED STATES COURT OF APPEALS

FOR THE FIRST CIRCUIT

No. 5991

CONVERTIBLE TOP REPLACEMENT CO., INC.,
Plaintiff-Appellant,

v.

ARO MANUFACTURING CO., INC., et al.,
Defendants-Appellees.

No. 5993

ARO MANUFACTURING CO., INC., et al.,
Defendants-Appellants,

v.

CONVERTIBLE TOP REPLACEMENT CO., INC.,
Plaintiff-Appellee.

CROSS-APPEALS FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MASSACHUSETTS

Before Woodbury, Chief Judge, and Hartigan and Aldrich, Circuit Judges.

Elliott I. Pollack, with whom Paul V. Power was on brief, for Convertible Top Replacement Co.

Charles Hieken, with whom David Wolf and Ezekiel Wolf, Wolf and Greenfield were on brief, for Aro Manufacturing Co., Inc., et al.

WOODBURY, Chief Judge.

Upon receipt of the mandate of the Supreme Court in *Aro Mfg. Co., Inc.* v. *Convertible Top Replacement Co., Inc.*, 365 U.S. 336 (1961), the court below after hearings [fol. 84] entered a judgment which, as amended, ordered, adjudged and decreed: (1) that by virtue of a territorial grant the plaintiff, Convertible Top Replacement Co., Inc., was possessed of the right, title and interest in the Mackie-Duluk patent No. 2,569,724 in the Commonwealth of Massachusetts, (2) that neither the corporate defendant, Aro Manufacturing Co., Inc., nor the individual defendants, either individually or as co-partners doing business as to Aro Top Sales Company, had infringed claims 3, 4, 5, 7, 8, 9 and 10 of the above patent, (3) that the plaintiff's amended complaint be dismissed with costs to the defendant of $3,841.77 and (4) that the defendants' counterclaim for a declaratory judgment be dismissed without prejudice and without costs. In No. 5991 the plaintiff below as appellant here contends that this judgment is erroneous in that it fails to make any distinction between replacements of the fabric portions of convertible automobile tops for General Motors cars, which were licensed under the patent, and those for Ford cars, which were not, and in that it fails to order, adjudge and decree that the Mackie-Duluk patent is valid. In No. 5993 the defendants below as appellants here contend that the judgment is erroneous because it fails to award them such damages as they may be able to establish in future proceedings, plus attorney's fees, trebled, for antitrust law violation by the plaintiff. We shall consider the appeals in numerical order but to dispose of the respective contentions of the parties it will be helpful to review the judicial proceedings in this tortuous litigation.

It began in April, 1956, with a complaint, later amended, by Convertible Top Replacement Co., Inc., C.T.R. hereinafter, which charged the defendant, Aro Manufacturing Co., Inc., and its principal officers, hereinafter collectively Aro, with infringement and contributing to the infringement of U. S. Patent No. 2,569,724 issued on October 2,

1951, to Harry A. Mackie and Stanley Duluk for "Con-
[fol. 85] vertible Folding Top with Automatic Seal at Rear Quarter" by making, selling and installing specially cut fabric tops for use in the patented structure. The defendants answered denying the basic allegations in the complaint, alleging patent misuse and specifically asserting that the patent is invalid and if valid not infringed. The defendants also filed a counterclaim for a declaratory judgment that the patent had been misused, that it was invalid and if valid not infringed. A defendant's motion for summary judgment based on affidavits and answers to interrogatories was denied and the case went to trial by the court sitting without a jury.

The district court after full hearing found that the plaintiff as assignee was entitled, by virtue of a territorial grant, to sue on the patent in Massachusetts, that the defendants had "clearly not made out" their claim that the plaintiff had misused its patent and that the defendants had not established their basic defense of invalidity.[1]

The court then turned to the question of infringement which it said had two aspects. Referring to the established fact that General Motors Corp. was licensed under the Mackie-Duluk patent while Ford Motor Co. was not, the court said: "As to the former, defendants are protected if their fabrics are to be regarded as mere repair, and not reconstruction. As to the latter, defendants have no protection against a claim for contributory infringement under § 271(c) if they made a material part, with knowledge that it was to be used in a patented structure, which was not a staple article of commerce suitable for substantial non-infringing use." The court summarily dis-
[fol. 86] posed of the issue of infringement insofar as unlicensed Ford Motor Co. cars were concerned by finding that there was no substantial non-infringing use for fabric tops

---

[1] It found: "Mackie-Duluk was a substantial and enlightened step, filling a long-felt want, in a field in which defendants have produced, with one exception [*i.e.* a patent to one Ackermans discussed at length and distinguished] only paper patents, the most emphasized being foreign, which did not even purport to do what Mackie-Duluk accomplished."

specially made by the defendants for the cars of that manufacturer having the Mackie-Duluk top structure, which fabrics, it said, " . . . are admittedly purposely designed for, and advertised for, Mackie-Duluk tops." The court gave more extended consideration to the question dispositive of the issue with respect to infringement by replacing the fabric part of convertible tops on licensed General Motors Corp. cars, *i.e.* whether such replacement constituted mere repair or major reconstruction.

Finding that replacing the fabric tops on cars of that manufacturer was "not permissive repair" the court entered an interlocutory judgment that the Mackie-Duluk patent was good and valid in law as to its claims 3, 4, 5, 7, 8, 9 and 10, that the defendants had infringed or contributorily infringed those claims with respect to both Ford and General Motors cars, that the defendants be enjoined from further infringement and that the question of the plaintiff's damages be referred to a master, with costs to the plaintiff.

On appeal this court affirmed, 270 F.2d 200 (1959).

We took the validity of the Mackie-Duluk patent for granted for the reason that the issue of its validity had hardly been argued at all and because we were not even sure that all the evidence on that issue had been included in the parties' joint record appendix. Our attention at that time was directed primarily to the basic question argued before us by the appellants, that is, to the question whether replacing the fabric portion of the patented tops for convertible automobiles constituted a permissible repair of the patented structure or an impermissible reconstruction of it, upon the answer to which the issue of contributory infringement with respect to licensed General [fol. 87] Motors cars depended. We did not specifically consider infringement with respect to unlicensed Ford Motor Co. cars for that question was not greatly stressed and we were convinced from the evidence that the court below was clearly correct in its conclusion that the defendants' custom made tops specifically designed and advertised for those cars constituted "a material part of the invention" and were not "a staple article of commerce suitable for substantial non-infringing use" within the meaning of 35

U.S.C. § 271(c). Nor did we specifically consider any question of possible patent misuse by the plaintiff-appellee, for, although the defendants-appellants argued patent misuse orally and in their brief, their statement of the questions involved pursuant to Rule 24(3)(b) of this court quoted in the margin[2] did not set forth or necessarily suggest any such question. Moreover, no issue of patent misuse was presented by the pleadings insofar as printed in the parties' joint record appendix on that appeal. Allegations of misuse in the defendants' answer, and an allegation of misuse in their counterclaim were omitted from their answer and counterclaim as printed in the joint record appendix then before this court. Only now has Aro's counsel supplied those omitted allegations. He has included the heretofore omitted allegations of patent misuse as made in his answer in his record appendix as counsel for the appellees in No. 5991 and his allegation of misuse in his counterclaim in his record appendix as counsel for the appellants in No. 5993.

[fol. 88] The Supreme Court granted certiorari allowing the United States to file a brief as *amicus curiae* in support of the petition, 362 U.S. 902 (1960). It denied a motion of the American Patent Law Association for leave to file a brief as *amicus curiae*, 364 U.S. 806 (1960), and reversed, *Aro Manufacturing Co., Inc., et al.* v. *Convertible Top Replacement Co., Inc.*, 365 U.S. 336 (1961), petition for rehearing or alternative motion for amendment or clarification of opinion denied, 365 U.S. 890 (1961), and remanded the case to the court below for further proceedings in conformity with its opinion. The judgment from which the present appeals have been taken was entered in an attempt to carry out that mandate. To see whether it has succeeded we turn to the Supreme Court's opinion.

---

[2] "The brief of the appellant or petitioner shall contain the following matter . . .

. . .

"(b) A statement of the questions involved, setting forth each question separately, in the briefest and most general terms, without names, dates, amounts or particulars of any kind. Ordinarily no point will be considered which is not set forth in or necessarily suggested by the statement of questions involved."

The opinion of the Court written by Mr. Justice Whittaker, after summarizing the facts, notes at page 338 that the validity of the patent was not challenged. The opinion then continues:

> "The principal, and we think the determinative, question presented here is whether the owner of a combination patent, comprised entirely of unpatented elements, has a patent monopoly on the manufacture, sale or use of the several unpatented components of the patented combination. More specifically, and limited to the particular case here, does the car owner infringe (and the supplier contributorily infringe) the combination patent when he replaces the spent fabric without the patentee's consent?"

The Court then went on to point out, page 339, that the fabric portion of the tops was an unpatented element of the combination patent because: "The patent makes no claim to invention based on the fabric or on its shape, pattern or design." Wherefore the Court said it was immaterial whether the shape of the fabric might have been patentable. From the foregoing the Court on the next [fol. 89] page of its opinion said: "It follows that petitioners' [Aro's] manufacture and sale of the fabric is not a *direct* infringement under 35 U.S.C. § 271(a)," but that the question remained whether such manufacture and sale constituted "a *contributory* infringement of the patent under 35 U.S.C. § 271(c)." Whether it did or not the Court said on page 341 depended upon whether "replacement by the purchaser himself would in itself constitute a *direct* infringement under § 271(a), for it is settled that if there is no *direct* infringement of a patent there can be no *contributory* infringement." Then on page 342, saying that § 271(a) "left intact the entire body of case law on direct infringement," the Court posed the ultimate question before it as follows:

> "The determinative question, therefore, comes down to whether the car owner would infringe the combination patent by replacing the worn-out fabric element

> of the patented convertible top on his car, or even more specifically, whether such a replacement by the car owner is infringing 'reconstruction' or permissible 'repair.'"

The Court summarized its answer to this question on page 346 in the following words:

> "The decisions of this Court require the conclusion that reconstruction of a patented entity, comprised of unpatented elements, is limited to such a true reconstruction of the entity as to 'in fact make a new article,' *United States* v. *Aluminum Co. of America, supra*, at 425, after the entity, viewed as a whole, has become spent. In order to call the monopoly, conferred by the patent grant, into play for a second time, it must, indeed, be a second creation of the patented entity, as, for example, in *Cotton-Tie Co.* v. *Simmons, supra*. Mere replacement of individual unpatented parts, one at a time, whether of the same [fol. 90] part repeatedly or different parts successively, is no more than the lawful right of the owner to repair his property. Measured by this test, the replacement of the fabric involved in this case must be characterized as permissible 'repair,' not 'reconstruction.'"

It is clear from the foregoing quotations from the opinion of the Court that the attention of the four justices who joined in that opinion was focused on the question of reconstruction versus repair which underlies the question of contributory infringement with respect to replacement tops for licensed General Motors cars but not for unlicensed Ford cars. And the same may be said of the opinions of the concurring and dissenting justices. The only suggestion that other considerations underlie the question of infringement by replacing the fabric portions of tops on unlicensed Ford cars is to be found in the final sentence of Mr. Justice Brennan's concurring opinion (p. 368) which reads: "I, therefore, think that the judgment of the Court of Appeals must be reversed, except, however,

as to the relief granted respondent in respect of the replacements made on Ford cars before July 21, 1955."[3]

The puzzling question is whether the Supreme Court in reversing this court intended to reverse *in toto* or only to reverse insofar as replacement tops for General Motors cars were concerned.

What the Court said in its opinion gives us little help. What it did not say, however, seems to us to indicate that it was not deciding the question of contributory infringement with respect to unlicensed Ford cars.

In the first place this would seem to be the interpretation placed upon the Court's opinion by Mr. Justice Brennan. Otherwise he would not have concurred generally but [fol. 91] would have concurred only in part and dissented in part. We think he must have meant to suggest only that the Court be more specific.

In the second place, neither in the opinion of the Court nor in the opinions of the concurring justices is any mention made of the basic rule established in many cases which, the Court said, was "left intact" by § 271(a), that not only is the manufacturer of an infringing article an infringer but so also is a user of an infringing structure or device, for the monopoly conveyed by a patent covers the right to make, sell and use.[4] Therefore, a purchaser of an infringing Ford car is himself an infringer and as an infringer he cannot legally replace any part of his top, for by the purchase of his car he obtained no license to use the patented structure, even less to repair it.[5] And one

---

[3] The date mentioned is the date of a release and license granted to Ford Motor Co. by C.T.R.'s assignor. It may be that under that document the critical date is December 31, 1955.

[4] See *Birdsell* v. *Shaliol*, 112 U.S. 485 (1884); *Sanitary Refrigerator Co.* v. *Winters*, 280 U.S. 30 (1929) (infringement by both the manufacturer (Dent Hardware Co.) and user (Sanitary Refrigerator Co.) of the patented product); and see *General Talking Pictures Corp.* v. *Western Electric Co.*, 305 U.S. 124, 127 (1938), where it is said: "Pictures Corporation . . . is in no better position than if it had manufactured the amplifiers itself without a license. It is liable because it has used the invention without license to do so."

[5] On the necessity for an implied license to repair, see *Thomson-Houston Electric Co.* v. *Ohio Brass Co.*, 80 Fed. 712, 723 (C.A. 6, 1897); *Union Special Machine Co.* v. *Maimin*, 161 Fed. 748, 750

who supplies the infringing purchaser-user-repairer with a component of the patented top constituting a material part of the invention (certainly the fabric portion of the top cut or shaped in the only way it could possibly function in the combination is a material part of the Mackie-Duluk invention) knowing the same to be especially made or [fol. 92] especially adapted for use in an infringement (Aro admittedly designed, made and advertised replacement tops for unlicensed Ford cars) and not, as the District Court originally found and this court agreed, a staple article suitable for a substantial non-infringing use, is a contributory infringer under Title 35 U.S.C. § 271(c) quoted in the margin.[6]

Since none of the foregoing matters relevant to replacement tops for unlicensed Ford cars was mentioned or, except for Mr. Justice Brennan, even suggested, we can hardly assume any decision with respect to them.[7] The Court's silence seems significant. We cannot lightly as-

---

(C.C.Pa., 1908), *affirmed* 165 Fed. 440 (C.A. 3); *National Brake & Electric Co.* v. *Christenson*, 38 F.2d 721, 723 (C.A. 7, 1930); *Remington Rand Business Service, Inc.* v. *Acme Card System Co.*, 71 F.2d 628, 639 (C.A. 4, 1934); *Electric Auto-Lite Co.* v. *P. & D. Mfg. Co.*, 109 F.2d 566, 567 (C.A. 2, 1940); and *Ruth* v. *Stearns-Roger Mfg. Co.*, 13 F.Supp. 697, 712-13 (D.Colo. 1935); Cf. Deller's Ed. of Walker on Patents, Sec. 379, at pp. 1486-87.

[6] "(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer."

[7] In further support of the view that the attention of the members of the Court was concentrated on the situation with respect to licensed General Motors cars, we note that apart from Mr. Justice Brennan's express reference to a distinction between Ford and General Motors top replacements there are indications in the opinion of the Court that the licensed-unlicensed distinction was recognized and only the licensed situation considered. Among these "clues" in Mr. Justice Whittaker's opinion are his statement at p. 344 that the patent licensee's, C.T.R.'s, contention would involve a "new license" and "another royalty" and his conclusion at p. 345

sume that the Court would *sub silentio* overrule a very substantial body of authority on direct infringement, which it specifically said remained "intact," and then construe § 271(c) in such a way as practically to leave it a dead letter. We therefore conclude that our previous decision [fol. 93] in this case was not reversed insofar as unlicensed Ford cars are concerned. To carry out the Supreme Court's mandate we think the court below should enter a judgment that the Mackie-Duluk patent is valid as to the claims enumerated and contributorily infringed with respect to replacement tops for unlicensed Ford cars.

We come now to Aro's contention as appellant in No. 5993 that it is entitled to a decree that the plaintiff below, C.T.R., violated the antitrust laws and thereby rendered itself liable to three times the damages, including counsel fees, which Aro may be able to establish in further proceedings. The short answer to this contention is that Aro has never pleaded a cause of action under the antitrust laws.

It alleged patent misuse in its answer to the complaint. But it did not print those allegations in the joint record appendix before us on the previous appeal nor, in its brief on that appeal, did it mention patent misuse in its statement of the questions involved. Patent misuse as a defense was clearly abandoned.[8] Now counsel for Aro as appellant in No. 5993 seeks not only to revive that abandoned defense but also by some subtle legal alchemy to transform it into a positive claim for triple damages and counsel fees under the antitrust laws. We are not aware of any basis or authority for such a metamorphosis. So

---

"that a license to use a patented combination includes the right" to repair. In his concurring opinion, Mr. Justice Black must have had the licensed situation in mind in asserting, at p. 360, that "one royalty to one patentee for one sale is enough. . . ." And Mr. Justice Harlan, in his dissenting opinion, states at p. 369, "The underlying rationale of the rule is of course that the owner's *license to use* the device carries with it an *implied license* to keep it fit for the use for which it was intended." (Emphasis added.)

[8] The Supreme Court in a footnote at page 344 of its opinion said that the doctrine of patent misuse was "not an issue in this case."

much for the allegations of patent misuse in the defendants' answer.

But in addition to the allegations in its answer, Aro alleged in its counterclaim: "That this court find and enter a decree herein that said Patent No. 2,569,724 has been misused." And this its counsel argues is a sufficient allegation of a cause of action under the antitrust laws because, he says, the record shows that Aro is entitled to [fol. 94] damages for violation of those laws, and Rule 54(c) of the Federal Rules of Civil Procedure provides: " . . . every final judgment shall grant the relief to which the party in whose favor it is rendered is entitled, even if the party has not demanded such relief in his pleadings."

Even if we assume that the allegation of patent misuse in Aro's counterclaim has somehow survived to this stage of the litigation, the Rule quoted from above does not authorize a grant of the relief requested. That Rule should be liberally construed to grant a prevailing party substantial justice. But it is not to be so liberally construed as to conflict with the requirement of Rule 8(a) that a pleading which sets forth a claim for relief, whether on original claim or a counterclaim, shall contain a short and plain statement of the claim showing that the pleader is entitled to relief and a demand for judgment for the relief to which he deems himself entitled. There is no merit whatever in this appeal.

A judgment will be entered vacating the judgment of the District Court and remanding the case to that Court for entry of a judgment in conformity with the views expressed in this opinion.

[fol. 95]

IN UNITED STATES COURT OF APPEALS

JUDGMENT—December 13, 1962

This cause came on to be heard on cross-appeals from the United States District Court for the District of Massachusetts, and was argued by counsel.

Upon consideration whereof, It is now here ordered, adjudged and decreed as follows: The judgment of the

District Court is vacated and the case is remanded to that Court for entry of a judgment in conformity with the views expressed in the opinion filed this day.

By the Court: Robert A. Stinchfield, Clerk.

Approved: Peter Woodbury, Ch. J.

[fol. 96] Clerk's Certificate to foregoing transcript (omitted in printing).

[fol. 97]

In United States Court of Appeals

For the First Circuit

No. 5488

Aro Manufacturing Co., Inc., et al.,
Defendants-Appellants,

v.

Convertible Top Replacement Co., Inc.,
Plaintiff-Appellee.

Appeal from the the United States District Court for the District of Massachusetts.

Before Magruder, Chief Judge, and Woodbury and Hartigan, Circuit Judges.

Opinion of the Court—August 31, 1959

* * * * * * *

[fol. 98] * * * The defendants manufacture and sell, for replacement purposes only, the fabric portions of convertible tops which they either install themselves or sell pre-fabricated for installation by trimmers, that is to say, persons engaged in the business of putting on new tops, repairing upholstery etc., and, to an insignificant extent, to do-it-yourself car owners. The defendants' tops are custom-designed by make of car and year of manufacture to permit accurate replacements on all standard cars manufactured in the United States and are so advertised. They pre-fabricate and keep in stock the fabric parts only of convertible tops for various models of cars manufactured by the Ford Motor Company from 1952 to 1955, and for many models of General Motors cars manufactured for the years 1950 to 1954, when many convertible automobiles produced by those two manufacturers were equipped with Mackie-Duluk tops.

• • • • • • •

[fol. 99]

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF MASSACHUSETTS

Civil Action No. 56-357A

CONVERTIBLE TOP REPLACEMENT CO. INC., Plaintiff,

vs.

ARO MANUFACTURING CO. INC., et al., Defendants.

• • • • • • •

—54—

[fol. 100] Deposition of RICHARD S. WRIGHT, July 2, 1958.

• • • • • • •

Q. Who conducted the negotiations between Automobile Research and Convertible Top?

A. I have no knowledge. I suspect it was Mr. Hall.

Q. Who would have knowledge?

A. Mr. Hall would.

Q. I mean it just didn't happen? The agreement didn't appear in front of Mr. Wharton, I presume?

A. No, it was sent up. I recollect the reasons were,

—55—

[fol. 101] there was a tax we hoped to convert some income from Automobile which was in a tax bracket, over into capital gains. That was the justification.

* * * * * * *

[fol. 102]

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF MASSACHUSETTS

Civil Action No. 56-357-A

CONVERTIBLE TOP REPLACEMENT CO., INC., Plaintiff,

vs.

ARO MANUFACTURING CO., INC., et al., Defendants.

---

* * * * * * *

—9—

[fol. 103] Deposition of WILLIAM D. HALL, July 3, 1958.

Q. When did you first become aware of Convertible Top?

A. Well, that happened a long time ago. I couldn't remember any exact dates, but I believe that I suggested to some of the people that they have the corporation formed or that they form it or that it be formed some time before it was actually formed.

Q. What was the reason for your suggestion?

A. The reason for the suggestion, as I remember it, was that Automobile Body Research Corporation had been receiving large sums and license fees from the replacement business, which was ordinary income and that there have been rulings of the Internal Revenue that a party in that business can from time to time take advantage of capital gains if they sell territorial grants, provided they don't sell too many.

If their major business is granting licenses and then occasionally they sell a territorial grant, why that sale would be the transfer of the capital asset.

Exactly who brought that up in the beginning, I don't know, but that had come up and so I knew that Automobile Body was interested in selling such a grant in the hope of qualifying under the law.

—10—

[fol. 104] Q. In other words, you were suggesting the organization of a separate corporate entity for the purpose of purchasing a right from Automobile Body Research, is that correct?

A. I think that would be a correct statement.

* * * * * * *

—82—

[fol. 105] Q. I invite your attention to paragraph two, or I should say clause two of agreement, which reads as follows, in part:

"Ford hereby agrees to pay AB the total sum of seventy-three thousand dollars ($73,000), for the release set forth in paragraph one payable as follows."

Do you have any information concerning this sum of $73,000 and how it was arrived at?

A. Yes. I very clearly remember how that sum was arrived at.

We had been negotiating for some time. At an early stage of each session when we were negotiating one of the first things that I brought up was what they were to get for the $73,000, or, rather, what they were to get for what-

—83—

[fol. 106] ever figure we finally arrived at.

Of course, in this transaction one of the major items of dispute was going to be the amount of money and the greater part of the negotiations constituted discussions leading to figuring out what each party would agree on and we stated at the outset of all this, that we could give them a lower figure than otherwise if it was made perfectly clear that any release or license or whatever might be finally agreed upon extended only to the car as long as it had the original top on and that once the original top was replaced,

that any license or release or anything else that we ultimately agreed on terminated and that, therefore, whoever put the new top on would be required to have a license to do so, and that, therefore, we would be in a position to collect more money and if that was made clear that then we could negotiate at a lower figure than would be required if Ford was getting for its customers all the rights to go ahead and do anything they wanted with the car.

Q. Is it your understanding that that basis for the $73,000 figure was included in any way in this final executed agreement with Ford?

A. Oh, yes. When Mr. Harris called me up on the telephone and read it to me, that is the first question I asked him:

Has he done anything in here that is going to change that

—84—

[fol. 107] situation?

And he said, no.

And so then, I told him, well, read on, and as he read it to me, I was in agreement with him that he had not altered our prior understanding in that regard.

* * * * * * *

—88—

[fol. 108] The Witness: It was definitely stated by me that there were these other people who were making these replacement fabrics.

Mr. Wolf: I believe you already stated that, haven't you?

—89—

[fol. 109] The substance of what you are saying now was stated before.

The Witness: I think I have stated it before, but just to complete it, so I don't stop in the middle of a sentence, I will say that I have definitely told them that there were these other replacement top manufacturers and that if we were left in a position to collect royalty from them, that obviously we could give Ford a lower rate, and that is what Ford said they wanted, that they weren't interested in buying any sort of a release or license or anything else that would help out these replacement top people, that all they wanted was—

Mr. Wolf: I believe this has all been gone into, Mr. Pollock.

Mr. Pollock: Well in view of that, let's continue along another line.

* * * * * * *

[fol. 110]

SUPREME COURT OF THE UNITED STATES

No. 833—October Term, 1962

ARO MANUFACTURING CO., INC., et al., Petitioners,

vs.

CONVERTIBLE TOP REPLACEMENT CO., INC.

ORDER ALLOWING CERTIORARI—April 1, 1963

The petition herein for a writ of certiorari to the United State Court of Appeals for the First Circuit is granted, and the case is placed on the summary calendar.

And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.